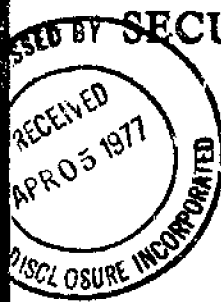


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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

MAR 31 1977

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1976

Commission file number 1-5026

GAF Corporation

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(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

13-0769927

(I.R.S. Employer  
Identification No.)

140 West 51st Street, New York, New York

(Address of principal executive offices)

10029

(Zip Code)

Registrant's telephone number, including area code: (212) 588-7800

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Preferred Stock, par value \$1.00 per share	New York Stock Exchange
Common Stock, par value \$1.00 per share	New York Stock Exchange

Securities registered pursuant to Section 13(g) of the Act:

Title of Class  
None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes ☒ No

(APPLICABLE ONLY TO CORPORATE ISSUERS)

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report:

Common Stock 13,238,741 shares

#### Item 1. Business

GAF Corporation and its subsidiaries (collectively, the "Company") are engaged in three lines of business: the manufacture and sale of (i) chemicals; (ii) photographic and reprographic products; and (iii) building materials. Financial information concerning the Company's lines of business required by Item 1 is included under Item 2, "Summary of Operations".

#### Chemical

##### *Principal Products*

The chemical product sales group includes the following: *Dyestuffs and Pigments* — The Company's line of dyestuffs is primarily used in the textile and paper industries and also in the leather industry; its organic pigments are used for coloring many different products, including rubber, plastics, printing inks, lacquers and natural and synthetic textiles. *Surface-active agents* — Surface-active agents (or surfactants) possess detergent, emulsifying, dispersing and wetting properties and are used in the manufacture and compounding of detergents (primarily industrial), insecticides, pesticides, textiles, paper, leather, rubber, plastics and chemicals and in the production and refining of petroleum and mineral products. *High-Pressure Acetylene Derivatives* — The Company has developed and employs techniques for processing acetylene, a very explosive gas, under high pressure into a wide variety of acetylene derivatives, with uses in the manufacture of plastics, synthetic fibers, cosmetics, electroplating chemicals, pharmaceuticals, solvents and adhesives. *Specialty and Textile Chemicals* — These include bactericides and fungicides, brighteners, leather tanning and finishing agents, textile treating chemicals, flame retardants, ultraviolet absorbers, solvents, carbonyl iron powders and silver salts. *Industrial Organic Chemicals* — These compounds are used in the production of surfactants, dyestuffs, pharmaceuticals, defoliants, herbicides, growth regulators and other agricultural chemicals (agrichemicals), plastic stabilizers, electroplating chemicals, and photosensitive and other chemicals. *Latex Products* — These products include rubber and polymer lattices for rug backings, fabric coatings and paper coatings; latex foam backing for drapery fabrics; and latex adhesives for fabric lamination. *Other Industrial Products* — These products include roofing granules, wool pressed felts, the *Furnon*® line of needled felts, synthetic fiber felts, papermakers felt and the *Carizo*® line of filter products.

The Company's chemical products are sold to users principally by its own sales personnel and, in some cases, by independent distributors.

##### *Competitive Conditions and Seasonal Variations*

The Company is the sole United States producer of a complete line of high-pressure acetylene derivatives, although it competes with a large foreign manufacturer. This foreign manufacturer is an important factor in the domestic market, having recently completed construction of a plant in the United States for the production of butanediol, a major product in the high-pressure acetylene chemical line. Another large domestic chemical manufacturer has made sales of butanediol in the United States.

In the balance of its chemical business the Company faces competition from many companies, certain of which are substantially larger than the Company and offer a broader range of products. Competition in those areas of the chemical industry in which the Company is engaged is chiefly based upon price, product quality and reliability of supply. The Company believes that the great size and diversified nature of the chemical industry make it impossible to give a meaningful estimate of the relative position of the Company in this field.

Seasonal variations are not material to this product sales group.

##### *Sources of Raw Materials*

The raw materials used in the production of the Company's chemical products are purchased from a large number of outside sources, in many cases pursuant to supply contracts which are, in general, standard for the industry. Certain of the Company's raw materials, including acetylene, are obtained from single or limited sources pursuant to supply contracts. With respect to acetylene, the Company is supplied at two locations by separate sources. Were either of the sources to be discontinued, the development of alternate sources of supply could involve interruption of production and would probably result in substantially increased costs.

Petroleum-based products are used in many of the Company's chemical manufacturing processes and consequently the price and availability of petroleum is material to the costs of operations.

Although this product sales group has from time to time in the past experienced difficulty in obtaining adequate supplies of raw materials, particularly during 1974, it has not experienced any significant shortages since the beginning of 1975.

### **Recent Developments**

In early 1975 the Company entered into an agreement with Chemische Werke Hüls, A. G. ("Hüls") to construct and operate a butanediol manufacturing plant in Marl, West Germany, with a planned annual capacity of approximately 80 million pounds. The Company anticipates that this plant will permit it to compete effectively with the manufacturer which currently dominates the European butanediol market. The plant will be owned and operated by a German joint venture company owned in equal shares by Hüls and the Company; production is planned to begin in late 1977. The agreement also includes provision for Hüls to supply acetylene to the plant from its adjacent manufacturing plant. The Company anticipates that the joint venture company will require approximately \$24,000,000 in loans, in addition to the \$12,000,000 in cash it has already received as capital contributions, for completion of the plant. These loans have been and are expected to be obtained from third parties on the credit of the joint venture company, but the Company and Hüls may share equally in providing loans or guarantees of loans if necessary.

The Company has under construction a facility at its Calvert City, Kentucky plant for the manufacture of polybutylene terephthalate ("PBT"). Construction of such facility is expected to be completed during 1977. PBT is the basic material for a family of polyester resins which possess properties suitable for use in the automotive and electronics markets, among others. While the Company is one of a small number of companies which produce butanediol (see "Competitive Conditions and Seasonal Variations"), one of the basic raw materials for PBT resin, substantial competition is anticipated in the various PBT markets from a number of other manufacturers, certain of which are substantially larger than the Company.

The wool felt industry has experienced excess capacity for a number of years, principally because the total demand for wool felt has been declining. The Company is contemplating consolidating certain of its wool felt manufacturing operations.

During 1975, the agrichemical business was responsible for significant profits for the Company. Sales of agrichemical products, which the Company manufactures on a contract basis to the specifications of large purchasers, substantially declined during 1976 with resulting adverse effects upon earnings, and a continuing erosion of the level of sales and earnings is anticipated. The contract for one of these products, *Conax*®, expired March 13, 1977, and in connection therewith termination payments totalling \$3.7 million are due to the Company from United States Corax & Chemical Corporation. With respect to another such product, *Amisax*®, the purchaser, Amchem Products, Inc. ("Amchem"), has advised the Company that purchases of *Amisax*® for the second half of 1977 will be at rates significantly above those prevailing since mid-1976, although still substantially below the levels of 1973 and early 1976. Amchem also terminated, effective December 31, 1976, the contract pursuant to which the Company had been supplying Amchem with 2-chloroethylphosphonic acid (ethephon). The Company continues to market ethephon to consumers. The herbicide Oryzalin had been manufactured by the Company for Eli Lilly and Company under an agreement which expired by its terms on June 30, 1976.

See Item 5, "Legal Proceedings" for a discussion of pending litigation between the Company and Amchem. Union Carbide Corporation has announced an agreement in principle to acquire Amchem. The Company is unable to predict what effect, if any, this acquisition, if it is consummated, may have on such litigation or sales to Amchem.

In January 1977 the Company reported an apparent shortage of silver and established a \$3.5 million reserve for loss. The Company has commenced an extensive investigation of the shortage with the assistance of its outside auditors and others. Depending on the result of the investigation, all or part of the loss may ultimately be recovered through insurance or otherwise. See Note 14 of Notes to Consolidated Financial Statements.

### **Photo & Repro**

#### **Principal Products**

The photographic and reprographic product sales group includes the following: *Consumer Photo Products* — including color and black-and-white film (print film, slide film and movie film), still and motion picture cameras and projectors, slide viewers and scenic slide and print assortments, and *VIEW-MASTER*® and *TALKING VIEW-MASTER*® stereo reels, viewers and projectors; *X-ray Products* — including x-ray film and developing chemicals for medical, dental and industrial use; *Graphic Arts Products* — including film, film bases, and chemicals used in photolithography, rotogravure printing, offset printing, photographic typesetting and photoengraving; *Industrial Products* — including film and paper; *Professional Photography Products* — including black-and-white and color still film, and photographic papers for professional photographic applications, press and industrial photography and professional portraiture; *Reprographic Business Systems Products* — including diazo

reproduction equipment, sensitized reproduction materials used in such equipment, business forms, micrographic equipment and supplies, sensitized paper and toner for electrostatic office copiers, and drafting office supplies; *Photo Services* — consumer photo finishing services through 19 photofinishing plants in the United States and Europe. The operation of radio station WNCN-FM in New York City is included for reporting purposes in this group.

Distribution of the Company's consumer and professional photo products is made through a field sales force consisting in part of the Company's own employees and in part of independent sales representatives or distributors. Sales are primarily to mass merchandisers and to photo specialty shops. The Company's graphic arts and x-ray photo products are sold in part to distributors, and in part, along with other industrial photo products directly to users. The reprographic business systems products are sold in part directly by the Company's own employees and in part through independent dealers. The reprographic machines sold by the Company are serviced in part by the Company's own employees and in part by employees of such independent dealers who are trained by the Company.

#### *Competitive Conditions and Seasonal Variations*

The photographic industry is dominated in many areas by Eastman Kodak Company ("Eastman"). The Company's small share of the market also faces competition from foreign sources. In general, the Company offers a broad range of photographic products, which is, however, considerably narrower than that offered by Eastman. The Company believes it is the leading producer of stereo viewers and reels.

The Company has initiated litigation against Eastman, which is more fully described below. A favorable decision in that suit could have a beneficial effect on the Company's photographic business. However, an adverse decision could result in the continuation of the present adverse competitive position of the Company and have significant implications concerning the future of the Company in various aspects of the photographic business. Preparation for trial of the case is progressing. The outcome of the litigation cannot be predicted at this time. See "Recent Developments."

The Company believes that it is one of the two leading domestic producers of diazo reproduction equipment and diazo papers, plastic films and other diazo coated products. The diazo reproduction process, while suitable for copying engineering and architectural drawings because of its capacity to make larger copies, is limited in general applicability by the need for a translucent master sheet printed only on one side. The diazo process may be subject to increasing competition from other processes and may become subject to increased regulation. See "Environmental Control and Related Matters".

The field of business forms produced pursuant to customer specifications is dominated by another company. The business forms products of the Company are sold principally in the northern part of the United States east of the Mississippi River.

Except for sales of consumer photo products, which are strongest prior to the winter holiday season, the sales of the Photo & Repru Group are not subject to substantial seasonal variation.

#### *Raw Materials*

The Company purchases from several sources the raw materials and components (some of which are manufactured to its specifications) for the film, paper, slide and motion picture projectors and viewers manufactured by it. The price of silver, which is one of the more important raw materials used in the manufacture of film and photographic paper, has risen sharply since 1972. The price of silver, based on the Handy & Harman daily New York quotations, ranged from \$1.39 to \$2.05 per troy ounce in 1972, from \$1.96 to \$3.28 per troy ounce in 1973, from \$3.27 to \$8.70 per troy ounce in 1974, from \$3.91 to \$5.23 per troy ounce in 1975, from \$3.82 to \$5.10 per troy ounce in 1976 and from \$4.30 to \$4.99 in 1977 through March 15. In each of the full years, except 1976, the cost of silver used in the Company's manufacturing operations was higher than in the preceding year. Competitive factors have limited and still limit the Company's ability to implement price increases related to this increased cost. Accordingly, the increased cost of silver may continue to have a material adverse effect on the earnings of the Company unless substantial price increases can be effected or the price of silver declines.

The still and motion picture cameras and sound projectors sold by the Company are manufactured specially for the Company by companies located in Japan, Hong Kong, Macau and Taiwan. Efforts by the Company are underway to commence purchases from a number of additional suppliers. In obtaining these supplies during 1976 the Company experienced unusual delays which adversely affected sales.



Acetate film base used by the Company is manufactured by it. Other film bases, including polyester, and raw paper are purchased from domestic and foreign sources.

The raw materials and supplies used in the manufacture of reprographic business products are purchased from several sources and, although in some cases parts are built to the Company's specifications, alternate sources for such parts are available.

#### *Recent Developments*

Since 1973 the direct operating profit (which excludes allocation of interest and certain other corporate expenses) of the Photo & Repro group has declined sharply, and in 1978 the group experienced a direct operating loss. This decline on a worldwide basis has been the result of a number of factors affecting photographic products, including, significantly, the domination of the industry by Eastman and its introduction of products rendering competitive products obsolete, as well as increases in the price of silver and other cost increases which have not been passed on in full, and general economic conditions affecting both consumer and industrial markets. Moreover, the Company has been required to incur for its photographic line of products, advertising costs, research and development expenses, and costs of working capital (some of which have not been allocated) disproportionately greater than the contribution of the Photo & Repro group to the Company's sales.

The 1972 introduction of Eastman's C-41 film and the conversion by photo finishers to the different processes required to develop such film has had, and is expected to continue to have, the effect of substantially curtailing the developing of the Company's C-22 color print film by photo finishers and has thereby reduced, and may be expected to continue to reduce, demand for such film. The Company's photo finishing plants retain the capacity to develop and process both the Company's C-22 film and Eastman's C-41 film, and the Company expects to retain the capacity for developing and processing its C-22 film so long as there is sufficient demand.

Since the introduction of Eastman's C-41 film, the Company has had under development a new color print film for pocket-sized instant loading cameras, standard size instant loading cameras and 35 millimeter cameras which could be developed with the same chemicals used in developing Eastman's C-41 film and other subsequently introduced competitive films. The Company is making limited shipments of the new film for pocket-sized instant loading cameras and is making preparations for commercial production of the new film in 1977. One other manufacturer has introduced in the United States market, and Eastman and another manufacturer have announced plans to introduce, higher speed color print films which can be processed in C-41 chemistry. These new products may adversely affect the Company's introduction of its new C-41 film.

On April 30, 1973, the Company filed an antitrust action against Eastman in the U.S. District Court for the Southern District of New York seeking treble damages in an unstated amount and certain equitable relief, including the division of Eastman into ten separate and independent businesses, the dedication to the public of the trademark "Kodak" and disclosure and licensing on a royalty-free basis of all Eastman's present and future photographic patents and know-how.

The Company stated in its Complaint that it is the last remaining domestic competitor to Eastman in the manufacture of conventional amateur photographic film. The Company alleged that Eastman has forestalled innovation in the development of products incompatible with those of Eastman, and has made numerous changes in its products in order to make the products of its competitors unmarketable. The Complaint further alleged that Eastman has, in many areas of the photographic industry, monopolized the production and sale of photographic supplies, restrained trade, foreclosed markets, made illegal acquisitions and engaged in various other illegal acts and practices. Eastman filed an Answer denying the material allegations of the Complaint. Document discovery and oral depositions of witnesses are underway in the pre-trial proceedings, and a trial date is currently set for early 1978.

The Company's film, under an agreement which expired October 1, 1976, has been the official film of Disneyland and Walt Disney World, where the Company has Photo Exhibit Centers and the Company's photo products, together with certain products of other manufacturers, have been sold through more than 50 retail photo outlets. In 1976 the Company obtained an extension to September 30, 1979 of this agreement pursuant to which additional photographic products not produced by the Company may be sold.

The Company's \$8 million expansion of its photo product facilities in Sint-Niklaas, Belgium, announced in 1974, is expected to be fully operational by mid-1977. The agreements relating to the development and financing of this project require that the Company have certain minimum numbers of employees at various times which would represent additions to the current work force. If present business conditions continue, however, it is expected that this plant will operate at substantially less than full capacity.

Two agencies of the British government have been engaged in investigations of certain practices, including pricing, of the members of the diazo industry in the United Kingdom, including the Company's British subsidiary. One of these agencies has recently issued a report which concludes that, while certain arrangements had been entered into without the registration required by applicable law, it is unable to determine that the public interest was adversely affected. The other investigation is still in progress. It is not anticipated that such investigation will have a material adverse impact on the operations of either the British subsidiary or the Company.

The largest single customer for the Company's color print film has, since mid-1976, been unable to make current payments with respect to approximately \$3.25 million of the Company's accounts receivable. The Company has entered into an agreement with the customer which provides for a moratorium with respect to principal payments on such indebtedness until September 1977 and for payment of the amount due in 24 equal monthly payments thereafter. Approximately one-half of the customer's indebtedness is secured by an existing second mortgage on certain property of the customer and pursuant to the agreement the customer is obligated, subject to certain consents of third parties which have not yet been obtained, to grant a third mortgage on the same property as additional security for the indebtedness.

## **Building Materials**

### **Principal Products**

The building materials product sales group includes the following: *Roofing, Siding and Insulation Materials* — including asphalt shingles, built-up roofing (consisting of organic and asbestos-based felts), asphalt roof coatings and plastic cements, organic and asbestos dry felt produced primarily for use by the Company's roofing or flooring plants, vinyl siding, mineral fiber roof shingles and siding, mineral fiber building board, mineral fiber canal bulkhead designed and processed to prevent land erosion by either salt or fresh water, automotive sound deadening and insulation products, and glass fiber insulation (purchased for resale); *Flooring Products* — including vinyl asbestos floor tiles, vinyl sheet floor coverings, and adhesives and cove bases (both purchased for resale).

The Company sells its products through its own salesmen to wholesalers, retailers, applicators, contractors and builders. Such sales are mostly limited, in the case of building materials other than floor tiles and sheet vinyl, to states east of the Rocky Mountains. Its products are also supplied, on a bid basis, to federal and state agencies. The Company operates its own distribution outlets for resilient flooring in six cities where available local outlets are not satisfactory.

### **Competitive Conditions and Seasonal Variations**

The building materials industry is highly competitive. The Company believes that it is one of the leading producers of asphalt roof shingles, built-up roofing, mineral fiber roof shingles, siding shingles, mineral fiber flat sheets, vinyl floor coverings, vinyl siding and automotive sound deadening and insulation products. One of the Company's largest customers for roofing materials has announced its intention to begin producing its own materials.

Competition in the roofing, siding and insulation segments of the Company's building materials business is based largely upon price, distribution capability, complementary product lines and credit terms. The floor covering segments of the business are subject to competition primarily on the basis of product design, variety of patterns and grades, prices and service.

The sales and installation of the Company's roofing, siding and insulation decline during the winter months due to adverse weather conditions. To maintain a more constant level of manufacturing and sales, the Company follows what is believed to be an industry-wide practice of "winter dating," pursuant to which advantageous credit terms are offered to credit-worthy customers who order and accept delivery of roofing, siding and insulation during the winter months.

### **Sources of Raw Materials**

A major portion of the raw materials used for the manufacture of building materials is purchased from a large number of outside sources and the balance is produced by the Company, including roofing granules, which are used to surface asphalt roofing products.

Raw material ingredients for dry felt, which have been in good supply, are rags, waste paper, pulpwood and wood flour, purchased in the open market at prices which are subject to fluctuation. Asphalt is purchased from major oil refineries and independent operators, in one case pursuant to a long-term supply contract. The Company purchases glass fiber insulation from a single source which

has allowed its long-term supply contract for residential building insulation with the Company to lapse and has advised that it intends to cease to supply the Company's requirements. The Company is continuing to contest this position, and discussions are currently underway with this supplier. The same supplier has recently advised that after mid-1977, it will cease to supply glass fiber roof insulation.

#### **Recent Developments**

Roofing products constitute the major portion of total sales of the building materials product sales group. It is believed that historically a majority of roofing products sold by the Company have been used in re-roofing of existing structures. It is reported that housing starts were at a level of approximately 2,379,000 units in 1972, 2,058,000 units in 1973, 1,353,000 units in 1974, 1,171,000 units in 1975, and 1,500,000 units (estimated) in 1976. Despite the consistent decline in reported housing starts between 1972 and 1975, the Company's sales revenues from roofing products increased in 1973, 1974, 1975 and 1976 over the then prior years.

In 1975 and 1976 the Company concluded initial arrangements for the construction of a sheet vinyl flooring plant in Mullingar, Ireland. Construction is presently scheduled to be completed in late 1977. The plant will be owned and operated by GAF (Ireland) Company, a branch of GAF (Nederland) B.V. ("GAF Nederland"), a wholly-owned subsidiary of the Company, and will be the Company's principal source of sheet vinyl for sale in Europe and other overseas markets. The Company anticipates that it will face substantial competition for its sheet vinyl products in the European market in view of competitors' recently announced plans for increased capacity to serve that market.

The Company anticipates that capital expenditures on the plant will be in excess of \$35 million. Estimates of the total cost of the project have been, and are expected to continue to be, influenced by fluctuations in exchange rates and inflation in Ireland. Arrangements have been concluded with the Industrial Development Authority of Ireland to obtain grants for a portion of the cost of the project, provided that the Company makes equity investment in the project at least equal to the aggregate amount of the grants. A portion of the grant payments has been received. The Company has financed or arranged to finance with Irish banks a portion of the requirements. The Company will provide additional capital for completion and operation of the project from the Company's general funds and/or domestic lending sources.

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#### **Patents and Trademarks**

The Company owns approximately 1,759 domestic and 1,890 foreign patents and approximately 825 domestic and 3,535 foreign trademarks, and is licensed under many other United States and foreign patents, no one or group of which is deemed to be material to the conduct of the Company's business as a whole other than the patents covered by the licenses from Congoleum Industries, Inc. and Amchem (described below and under "Chemical — Recent Developments," respectively, and a group of patents on photographic products and processes for making photographic film covered by licenses from Eastman, which patents have been challenged by the Company in the antitrust action against Eastman described under "Photo & Repr — Recent Developments."

As a result of the settlement in May 1970 of a lawsuit commenced in 1966 against The Ruberoid Co., the Company entered into a license agreement with Congoleum Industries, Inc. whereby the Company was licensed to manufacture and sell foamed vinyl flooring which uses a chemical embossing process. In exchange for such license, the Company agreed to pay a royalty equal to 5% of the net sales of such product during the term of the agreement, which has a stated term ending on December 30, 1983, and, in any event, the Company is required to pay a minimum royalty of \$125,000 a year through 1983, which amount is applied against royalties payable in each such year. Royalties paid under this agreement for 1970, 1973, 1974, 1975 and 1976 amounted to approximately \$1,329,000, \$694,000, \$719,000, \$466,000, and \$661,000 respectively.

#### **Research and Development**

Research and development expenses in 1975 and 1976 were \$15,272,000 and \$17,953,000, respectively. Approximately 60% of the amount spent in 1976 was used for research to develop new or improved products and processes, while the remaining 40% was used to enhance existing products and technologies. The latter category includes product quality improvements, improved formulations, and experimentally-developed new applications data to exploit the full potential of existing products. Dur-

ing 1975, approximately 65% of research and development expenses was used for the development of new products and processes, while approximately 35% was used to enhance existing products and technologies.

As of March 1, 1977, 312 professional employees were engaged in Company-sponsored research and development.

#### Environmental Control and Related Matters

By reason of the nature of many of the Company's operations, environmental standards promulgated by various regulatory bodies, many of which have been recently established, are having or will have a substantial impact upon the Company. In some cases, the Company has obtained variances which are conditioned upon compliance at some future date, and in other cases it is seeking to work out similar arrangements. It is believed that federal and state statutes and regulations dealing with the protection of the environment will increasingly affect the Company. While the exact nature of the environmental control problems which the Company will encounter in the future cannot be predicted, substantial additional capital expenditures and increased operating expenses, the amount of which cannot be estimated at this time, will be occasioned by the Company's continuing effort to deal with environmental problems arising from its activities and to comply with the statutes and regulations referred to above. However, the Company believes that compliance with environmental protection requirements will not adversely affect its competitive position in the industries in which it is engaged. Pollution control requirements resulted in capital expenditures of approximately \$31,284,000 from 1972 through 1976. The Company expects to invest an additional amount of approximately \$10,720,000 in pollution abatement facilities in 1977, \$3,360,000 in 1978 and \$7,820,000 thereafter. No assurance can be given that the amounts actually invested will not be larger.

On August 30, 1971, the Company entered into an agreement with Rensselaer County Sewer District No. 1 for the construction, operation and maintenance of secondary treatment facilities for the industrial waste discharge from the Company's Rensselaer, N.Y. chemical manufacturing plant. The Company's obligation for the first year of operation, which commenced in June 1976, is presently estimated to be in excess of \$320,000. Of this sum, approximately \$96,000 is estimated to be attributable to debt service. It is anticipated that the operating and maintenance costs for this facility will increase in the future while debt service costs will decrease. The Company's debt service obligation, however, is expected to continue for approximately 27 years. In addition, the Company will be obligated to pay a portion of fixed operating and maintenance costs of the plant through June 30, 1990. Primary treatment for the industrial waste from the Company's plant, as well as the industrial wastes from a plant owned by Sterling Drug Inc. ("Sterling"), is being provided by facilities located adjacent to the Company's plant. Such facilities have been constructed with the proceeds of pollution control revenue bonds (which are unconditionally jointly guaranteed by the Company and Sterling) sold on July 1, 1974 by the Rensselaer County Industrial Development Agency, on which date both the Company and Sterling entered into a ten year lease for such facilities.

On September 26, 1973, and May 24, 1974 pollution control financing arrangements were entered into with, respectively, the City of Calvert City, Kentucky and Broome County Industrial Development Agency (Broome County, New York) pursuant to which pollution control revenue bonds were issued in the respective principal amounts of \$2,700,000 (of which \$300,000 has been prepaid) and \$2,500,000. On June 26, 1975 the Company entered into an additional \$750,000 pollution control financing with Broome County Industrial Development Agency, relating to the project involved in the 1974 financing. All such bonds are unconditionally guaranteed by the Company and the proceeds were used in connection with pollution control facilities at the Company's chemical plant in Calvert City, Kentucky and photo products plant in Binghamton, New York.

On February 20, 1976 the Company entered into an installment sale agreement with the New Jersey Economic Development Authority (the "Authority") for the purchase of pollution control facilities to be constructed by mid-1977 adjacent to the Company's Linden, New Jersey chemical plant with the proceeds of pollution control revenue bonds in the aggregate principal amount of \$10,000,000 sold on that date by the Authority. Payments under the installment sale agreement are assigned to the payment of the Authority bonds, which are also unconditionally guaranteed by the Company. The Company is presently negotiating the use of similar types of financing for pollution control facilities at other locations.

The federal Occupational Safety and Health Administration ("OSHA") has promulgated numerous regulations dealing with various aspects of the Company's operations, including regulation of permissible levels of asbestos fibres in manufacturing facilities. The OSHA regulation applicable to asbestos processing and fabricating facilities established a permissible level in the occupational work atmosphere of five fibres of asbestos per cubic centimeter of air. This permissible level was reduced to two fibres per cubic centimeter on July 1, 1978. The Company's manufacturing operations were

in substantial compliance with the five-fibre standard and the Company believes its operations are substantially in compliance with the two-fibre standard. OSHA is presently proposing a further reduction in permissible level to one-half of an asbestos fibre per cubic centimeter of air. The outcome of this proposal and of the effect of any standards which may result therefrom cannot be predicted at this time. At present the Company is not aware of any adequate substitute for asbestos in the production of roofing felts.

On November 25, 1975, OSHA issued a proposed regulation governing various aspects of industrial use of ammonia. The comment period on these proposals expired in April 1976 and it is expected that OSHA will either issue a revised proposal or call public hearings on the existing proposal in the near future. In addition, OSHA has proposed to terminate the exemption of the diazo industry from an existing regulation governing ammonia use. The Company believes that implementation of either of these proposals would make diazo reproduction operations economically unviable for all but a few of its diazo customers.

The new federal Toxic Substances Control Act is expected to have a significant effect on the Company's operations. As regulations under the Act have only recently been proposed, the nature and full extent of the impact of this legislation is not completely ascertainable at this time.

#### **Employee**

At January 31, 1977 the Company employed approximately 20,600 people. At such date, approximately 8,444 employees in the United States and Canada were represented by 70 unions under contracts which are effective, in most cases, for two or three year periods. Employee relations at all of the Company's plants have been generally satisfactory. During 1976 a three week stoppage occurred at the Company's San Francisco distribution facility and a one week stoppage at the Binghamton, New York photographic products plant. The Company has in effect various benefit plans which include retirement plans and group insurance arrangements providing life, accident, hospital, surgical and medical coverage. The Company and, in most cases, the employees contribute to the costs of the insurance arrangements.

#### **New Business Ventures**

On June 7, 1976 the Company's wholly-owned subsidiary, GAF Broadcasting Company, Inc., acquired New York City radio station WNCN-FM for the sum of \$2,200,000. WNCN gained national attention in late 1974 when it changed its programming and discontinued playing classical music. WNCN has subsequently returned to a classical music format. The Company has budgeted additional capital expenditures for the construction of a new broadcasting complex and the improvement of the station's transmitting quality.

On December 22, 1976 the Company purchased the medical products division of United States Radium Corporation for a price of approximately \$2.5 million. The division manufactures x-ray intensifying screens, x-ray cassettes and related accessories.

#### **International Operations**

The Company's International operations, which are consolidated in the net sales and income for the Company's three product sales groups, include export of the products manufactured by the Company in the United States (principally its sheet vinyl, acetylenes, industrial photographic and consumer photographic products) and the operations of the Company's foreign subsidiaries. Sales by foreign subsidiaries are principally in Western Europe. Subsidiaries are also active in Australia, Canada and elsewhere. For 1973, 1974, 1975 and 1976, the Company's international operations, including export sales from domestic operations, accounted for approximately 16%, 17%, 17% and 16%, respectively, of its net sales for such years.

In general, during 1973, 1974 and 1975, the ratio of operating profit to sales in international operations exceeded such ratio in domestic operations, and international operating profits in 1973 were almost double those of 1972. However, in 1976 due to economic conditions in Europe and the effect of foreign exchange fluctuations, the ratio in international operations was below such ratio in domestic operations. See Item 2, "Summary of Operations — Management's Discussion and Analysis of Summary of Operations" and Note 3 of Notes to Consolidated Financial Statements for information as to foreign operations. See "Chemical — Recent Developments", "Photo & Repro — Recent Developments", and "Building Materials — Recent Developments" for discussions of construction of a new chemical manufacturing plant in West Germany, expansion of the Company's European photographic facilities, and construction of a new sheet vinyl manufacturing facility in Ireland.

## Item 2. Summary of Operations

The following data with respect to lines of business and summary of operations of GAF Corporation and Consolidated Subsidiaries should be read in conjunction with its notes and Management's Discussion and Analysis of Summary of Operations appearing in this Item and with the other consolidated financial statements and related notes appearing under Item 10, "Financial Statements."

### GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES

#### LINE OF BUSINESS (NOTE A)

	Year Ended December 31,				
	1976	1975	1974	1973	1972
	Dollars in Thousands				
Net Sales by Group:					
Chemical	\$ 287,719	\$235,116	\$237,089	\$215,317	\$177,245
Photo & Repro	371,067	356,994	351,111	330,190	296,896
Building Materials	481,702	372,312	360,589	363,372	276,599
Total	<u>\$1,060,507</u>	<u>\$964,421</u>	<u>\$948,809</u>	<u>\$848,899</u>	<u>\$750,740</u>
Direct Operating Profit (Loss) by Group:					
Chemical (Notes D and 14)	\$ 35,806	\$ 36,154	\$ 45,661	\$ 29,790	\$ 24,475
Photo & Repro	(2,224)	4,820	9,951	18,286	11,468
Building Materials	45,373	48,795	43,555	25,811	18,005
Total	<u>\$ 78,955</u>	<u>\$ 89,769</u>	<u>\$ 99,167</u>	<u>\$ 73,887</u>	<u>\$ 53,948</u>

#### SUMMARY OF OPERATIONS (NOTE A)

	Year Ended December 31,				
	1976	1975	1974	1973	1972
	Dollars in Thousands				
Net Sales	\$1,060,507	\$964,421	\$948,809	\$848,899	\$750,740
Cost of Products Sold	779,511	691,104	672,530	592,999	535,395
Direct Operating Expenses	201,841	183,548	176,712	169,030	149,117
Direct Operating Profit (Notes D and 14)	78,155	89,769	99,167	86,867	63,948
Unallocated Corporate Expenses:					
Interest	16,740	16,555	16,782	12,068	10,237
Other (Notes B, C and E)	32,095	26,705	32,822	19,185	20,362
Income before Income Taxes	30,033	46,509	49,563	55,604	50,349
Income Taxes	10,333	15,583	21,036	23,786	22,643
Income	19,700	30,926	28,527	31,818	27,706
Less Preferred Stock Dividend Requirements	3,635	3,635	3,705	3,788	3,756
Net Income Applicable to Common Stock	<u>\$ 16,065</u>	<u>\$ 27,311</u>	<u>\$ 24,822</u>	<u>\$ 28,030</u>	<u>\$ 23,950</u>
Earnings per Common Share:					
Primary	\$1.31	\$2.06	\$1.34	\$2.06	\$1.75
Fully diluted	\$1.14	\$1.79	\$1.62	\$1.74	\$1.49
Dividends Declared:					
Per Preferred Share	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20
Per Common Share	\$ .58	\$ .55	\$ .48	\$ .42	\$ .40
Common Shares Outstanding in Thousands (Weighted Average)	<u>13,303</u>	<u>13,837</u>	<u>13,818</u>	<u>13,831</u>	<u>13,687</u>

Notes to Summary of Operations Follow.

For Historical Note References are to Notes to Consolidated Financial Statements.

# GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES

## NOTES TO SUMMARY OF OPERATIONS

### Note A:

The Company reports its operations on the basis of responsibility accounting, whereby the various lines of business are measured after the assignment of only those items of income and expense for which each line of business is directly responsible. Accordingly, the Company does not provide for the allocation of interest and other debt expense, the cost of certain functions that serve more than one line of business, and certain miscellaneous expense and income items.

### Note B:

During 1974, the Company relocated certain staff and administrative activities from its New York City offices to a new facility in Wayne, New Jersey and established a reserve for costs expected to be incurred. Activity in the reserve has been as follows:

	1976	1975	1974
	Dollars in Thousands		
Reserve balance at January 1, . . . . .	\$2,424	\$2,661	\$ —
Increase (decrease) in reserve:			
Estimated relocation costs . . . . .			5,045
Actual costs incurred . . . . .	(400)	(900)	(2,384)
Revised estimate of sublease income . . . . .	(750)	650	
Reserve balance at December 31, . . . . .	\$1,205	\$2,424	\$2,661

The relocation costs have been reported as part of Unallocated Corporate Expenses — Other.

### Note C:

Gains of \$5,523,000 and \$6,350,000 in 1974 and 1975, respectively, were realized on the reacquisition of 5% Convertible Subordinated Notes. Such gains have been reported as a reduction of Unallocated Corporate Expenses — Other.

### Note D:

During 1973, the Company curtailed the dyestuff and pigment operations at its Linden, New Jersey plant, resulting in a charge to direct operating profit (Chemical Group) of \$5,942,000.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF SUMMARY OF OPERATIONS

### 1976 Compared with 1975

In 1976 consolidated sales increased \$19.1 million (10%) to almost \$1.1 billion. Record sales were achieved in all worldwide product sales groups primarily as a result of higher unit volumes in most major products and, to a lesser extent, price increases. Gains in roofing and sheet vinyl products in the U.S. renovation market were the major contributor to the \$49.4 million (13%) increase in Building Materials sales. Chemical sales increased \$32.6 million (14%) reflecting gains in all major product lines except agricultural chemicals, which declined sharply. Photo & Repro sales increased \$14.1 million (4%) largely as a result of industrial photo, photofinishing, and business forms gains.

Direct operating profit declined \$11.6 million (13%) principally as a result of the continued inability to pass on higher manufacturing costs and operating expenses. The Photo & Repro group was most severely affected, losing \$2.8 million, a \$7.6 million decline from the prior year. The Chemical group although operationally ahead of last year, fell behind as a result of a 1976 nonrecurring \$3.5 million pre-tax provision for a silver shortage. Chemical earnings were also unfavorably affected by a change in product mix resulting from decreased sales of agricultural chemicals partially offset by increases in sales of other somewhat lower-margin products. Building Materials profit declined \$3.4 million (7%) primarily as a result of generally higher costs of raw materials, energy, labor, and distribution. Consolidated profit for 1976 was further reduced by severance costs resulting from a personnel reduction program aimed at improving future profitability.

International operating profit as expressed in dollars declined, as the exchange rates for certain of the currencies in which such profits were earned declined against the dollar. Additionally, such profits, expressed in local currencies, declined as a result of increasing manufacturing costs which could not be fully offset by price increases because of price controls, local competitive conditions and the slow economic recovery in Western Europe.

Unallocated corporate interest expense continued to taper off as a result of lower interest rates and management's efforts to minimize short term borrowings during the year.

Other unallocated corporate expenses increased \$5.4 million (20%). In 1975 there was a \$4.0 million nontaxable gain on the sale of technology to the GAF/Huls joint venture. A \$1.8 million (\$0.8 million after-tax) swing in foreign exchange, unfavorable to 1976, also contributed to the increase in other unallocated corporate expenses. Generally, corporate staff operating expenses reflected normal cost increases consistent with an inflationary economy. Legal expenses related to the lawsuit against Eastman Kodak increased sharply as the result of intensified preparation for trial.

Income taxes provided for 1976 were \$5.3 million (34%) below last year mainly as the result of the decline in pre-tax income. The annual effective tax rate of 34.4% was higher than last year's rate principally as a result of the nontaxable nature of the above mentioned \$4.0 million gain realized in 1975.

Rents increased \$2.5 million (17%) primarily as a result of higher costs due to inflation and the expansion of the GAF leased truck, auto and chemical tank car fleets which was necessitated by increased business activity.

### 1975 Compared with 1974

Consolidated sales increased \$15.6 million (2%) in 1975, with the Building Materials and Photo & Repro product sales groups up 3% and 2%, respectively. The increase resulted from higher prices in most major product lines, partially offset by generally lower unit sales volume.

Higher Building Materials sales of \$11.7 million were principally due to strong gains in the U.S. re-roofing market. Increased Photo & Repro sales of \$5.9 million were largely the result of selling price increases. Chemical sales declined slightly (\$2.0 million, 1%) reflecting depressed economic activity worldwide. Decreased volume of domestic felt, acetylene, and specialty chemical lines more than offset significant sales gains in agricultural chemical products.

Cost reduction programs succeeded in holding direct operating expenses at levels only slightly higher than in 1974. Selling expenses increased in line with planned personnel increases and programs for deeper market penetration. Administrative & general expenses increased primarily due to higher costs of services.

Direct operating profit declined in both the Chemical and Photo & Repro groups as a result of lower sales volume and operating levels at manufacturing plants, and the inability to pass on all cost increases. Building Materials profit was significantly above 1974 due to selling price increases and higher volume in the latter half of 1975.



Unallocated corporate interest expense tapered off from 1974's high levels as a result of reduced prime rates and reduction of short term debt through internal financing.

Other unallocated corporate office expenses for 1975 were \$6.1 million (10%) lower than 1974 primarily as a result of a \$4.7 million favorable change between years in foreign exchange and a 1975 nontaxable gain of \$4.0 million realized on the sale of technology and know-how to the GAF/Huls Chemie G.m.b.H. joint venture. These were offset in part by the nonrecurrence of three items in 1974 representing a net pre-tax \$1.9 million gain realized from a \$5.5 million profit on repurchase of 5% convertible subordinated notes and a \$1.4 million profit on sale of three properties partially offset by a charge of \$5.9 million associated with the move of administrative activities to Wayne, N.J. Cost increases resulted from increased staff operating expenses, legal costs, and inflationary administrative costs.

Provision for 1975 income taxes decreased \$5.5 million (20%) due to a pre-tax income decline of \$3.1 million (6%) and an 8.9 percentage point decrease in the effective tax rate due to the above noted \$4.0 million nontaxable gain, larger investment tax credits, and greater benefit from exporting activities.

#### **Prior Years**

During 1974 the Company adopted LIFO accounting for dyestuffs and pigments inventories at its Rensselaer, N.Y. Chemical plant which resulted in increased cost of products sold of \$3.9 million (with a favorable income tax and cash flow effect of \$1.8 million).

In 1973 a \$6.4 million profit was realized on repurchase of 5% convertible subordinated notes, which was reported under other unallocated corporate expense.

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#### **Subsequent Developments**

Severe weather conditions during January and February 1977 adversely affected the Company's sales and earnings, particularly in the Building Materials and Chemical groups, although incomplete results indicate some improvement in March. While final (unaudited) results of operations for the first quarter of 1977 are not yet available, the Company anticipates that direct operating profit for the first quarter will decline sharply from the first quarter of 1976. This does not take into account the \$3.7 million due the Company, as described under "Chemical — Recent Developments."

### Item 2. Properties.

The Company's major plants are as follows:

**Chemical:** Calvert City, Kentucky; Linden, New Jersey; Ronseleac, New York; Texas City, Texas; Ciena Falls, New York; Chattanooga, Tennessee; Glenville, Connecticut; Franklin, Massachusetts; Warren, Michigan; Annapolis, Missouri; Bound Brook, New Jersey; Newburgh, New York; Charnin and Erie, Pennsylvania; Westerb, Rhode Island; and Krenlin, Wisconsin. The Company owns rock quarries at Annapolis, Missouri; Charnin, Pennsylvania; and Krenlin, Wisconsin.

**Photo & Repro:** Binghamton, New York; Philadelphia, Pennsylvania; Los Angeles, California; Six-Nilbas, Belgium; Progress, Oregon; Vestal, New York; Johnson City, New York; Vernon, New York; Colthrock, England; Delft, The Netherlands; Shelby, Ohio; Charlotte, North Carolina; San Antonio, Texas; Kansas City, Kansas; Arlington, Texas; Milwaukee, Wisconsin; and Sydney, Australia.

**Building Materials:** Mobile, Alabama; Long Beach, California; Denver Colorado; Tampa, Florida; Savannah, Georgia; Joliet, Illinois; Mount Vernon, Indiana; Baltimore, Maryland; Millis, Massachusetts; Minneapolis, Minnesota; Kansas City and St. Louis, Missouri; Gloucester City and South Bound Brook, New Jersey; Vails Gate, New York; Erie and Whitehall, Pennsylvania; and Dallas and Houston, Texas.

With the exception of the plants located in Warren, Michigan and Annapolis, Missouri, which are leased to the Company, and of two leased buildings in Philadelphia, the above mentioned properties are owned by the Company in fee. That portion of the plant (building and equipment only) at Texas City, Texas which produces Asmatene<sup>®</sup> is owned by Amchem.

The Company also owns or leases many other smaller plants, research laboratories, sales offices and distribution warehouses in the United States and elsewhere.

The Company believes that in general these plants and facilities, which are of widely varying ages and of different types of construction, have been adequately maintained, are in good condition, and are suitable and adequate for the Company's operations. Each plant has adequate transportation facilities for both raw materials and finished products.

The executive offices of the Company and a substantial portion of its administrative offices are housed in approximately 176,000 square feet of leased space at 140 West 51st Street and 1180 Avenue of the Americas, New York, New York.

In July 1972, the Company leased certain laboratory facilities and approximately 100 acres of land in Wayne, New Jersey at which it consolidated a number of its research and development operations. A new 80,000 square foot building, completed in 1974, houses the Company's general administrative and clerical personnel and its principal electronic data processing facilities. The Wayne lease is for a period of 25 years with an option to purchase at expiration. Annual rentals (the lease is a "net lease" under which the Company is obligated to maintain, repair, insure and pay all taxes on the property) are calculated to allow the lessor to recover the cost of the property. Its annual interest costs of 7½% and its other expenses of leasing the property. The Company believes that the useful life of most of the buildings remaining at the scheduled termination of the lease will be relatively short.

**Item 4. Parents and Subsidiaries.**

The Registrant has no parent.

All subsidiaries named below are included in the Consolidated Financial Statements.

	<u>State or Country of Incorporation</u>	<u>Percentage of Voting Securities Owned</u>
<b>United States</b>		
GAF Broadcasting Company, Inc.	Delaware	100%
GAF Communications, Inc.	Delaware	100
GAF Export Corporation	Delaware	100
GAF Hawaii, Inc.	Hawaii	100
GAF International Corporation	Delaware	100
GAF Realty Corporation	Delaware	100
Genafil Realty Corporation	New York	100
Lenox Photo Products, Inc.	Delaware	100
<b>Brazil</b>		
GAF do Brasil	Brazil	100
<b>Canada</b>		
Chemical Developments of Canada, Limited	Canada	49(1)
GAF (Canada) Limited	Canada	100
<b>Mexico</b>		
GAF Corporation de Mexico, S.A. de C.V.	Mexico	100
<b>Europe</b>		
GAF (Belgium) N.V.	Belgium	100
GAF (Denmark) A/S	Denmark	100
GAF (Deutschland) G.m.b.H.	West Germany	100
GAF (France) S.A.	France	100
GAF (Great Britain) Limited	England	100
GAF (Greece) S.A.	Greece	100
GAF/Hüls Chemie G.m.b.H.	West Germany	50(1)
GAF (Ireland) Limited	Ireland	100
GAF (Italy) S.r.l.	Italy	100
GAF (Nederland) B.V.	Netherlands	100
GAF (Norvege) A/S	Norway	100
GAF (Österreich) G.m.b.H.	Austria	100
GAF (Suomi) Oy	Finland	100
GAF Svenska AB	Sweden	100
GAF (Switzerland) A.G.	Switzerland	100
<b>Africa</b>		
GAF South Africa (Pty) Ltd.	South Africa	100
<b>Asia</b>		
GAF Japan Ltd.	Japan	100
<b>Australia</b>		
GAF (Australasia) Pty. Limited	Australia	100
GAF (1972) Pty. Limited	Australia	100
<b>Middle East</b>		
GAF (Israel) Ltd.	Israel	100

(1) Included in the Consolidated Financial Statements on the equity method. Individual financial statements of these subsidiaries have been omitted because they are immaterial.

Not included in the above schedule or consolidated in the Consolidated Financial Statements are other subsidiaries which, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary. Individual financial statements of such subsidiaries have been omitted.

**Item 5. Legal Proceedings**

On April 30, 1973 the Company commenced an antitrust action against Eastman Kodak Company. This action is described under the caption "Photo & Repro — Recent Developments."

The Company and Amchem have commenced litigation against one another in several jurisdictions throughout the world. The litigation relates to a plant growth regulator which is sold by Amchem as Erimax® and by the Company as CEPRA®. In several European countries and in the United States Patent Office, the litigation consists of interference proceedings. The

interference proceedings brought by the Company in the United States Patent Office were dismissed and in April 1975 a patent relating to certain parts of its application issued to Amchem. In June 1975 the Company commenced a declaratory judgment proceeding in the United States District Court for the Eastern District of Pennsylvania seeking to have the patent granted to Amchem declared invalid and to obtain other appropriate relief. In a separate action brought by the Company in the United States District Court for the Eastern District of Pennsylvania the Court granted Amchem's motion for summary judgment dismissing the Company's suit which sought the assignment to the Company of all Amchem's foreign use patents on the invention of the plant growth regulator and the establishment of a constructive trust in favor of the Company with respect to all of Amchem's profits on Enzaar® sales. The Company is appealing the decision. In another action brought by Amchem in the United States District Court for the Northern District of Georgia, the Court entered judgment dismissing Amchem's suit seeking to cancel the Environmental Protection Agency (the "EPA") registration which the Company had obtained for Cymra®, upon the theory that the Company had obtained such registration pursuant to procedures inconsistent with the Federal Insecticide, Fungicide and Rodenticide Act, as amended. Amchem appealed from this judgment and the United States Court of Appeals for the Fifth Circuit remanded the matter to the district court for the purpose of determining the effect, if any, of recent amendments of that act upon that court's judgment. Upon remand, the district court ruled in the Company's favor, determining that such amendments had no effect upon the outcome. Amchem is appealing this ruling.

In 1974, the Company and eight other United States manufacturers of dyes were indicted on charges of engaging in a combination and conspiracy to fix, raise, and maintain prices of dyes in the United States in violation of Section 1 of the Sherman Act. The government simultaneously brought a civil action, which is still pending, seeking an injunction against the alleged conspiracy and any other conspiracies or practices of a similar import. Later that year the Company and seven other defendants entered, and the court accepted, pleas of *nolo contendere*. The Company was fined \$45,000 in this action. Shortly after the indictments and civil actions referred to above, six private civil actions were brought against the same defendants by plaintiffs purporting to represent all purchasers of dyestuffs from one or more of these defendants or their alleged co-conspirators. These actions were consolidated in the United States District Court for the Southern District of New York which, in 1975, approved a stipulation of settlement providing for the defendants' to establish a common fund totaling \$15,000,000 for satisfaction of the validated claims of members of the plaintiff class. The Company has made its contribution to this common fund as provided under the approved stipulation of settlement.

During the first quarter of 1976, the Company began an internal investigation of an abuse of one of the Company's cooperative advertising programs during the past several years involving a major domestic customer of the Photo & Repro Group. Following a preliminary internal investigation, the Executive Committee of the Board of Directors directed management to cause special outside counsel to conduct a comprehensive investigation of the abuse. That investigation was completed and special counsel reported that a senior buyer of that customer, without the knowledge or consent of responsible management of the customer, during the period 1970 through 1975 obtained or directed delivery to himself and others, rather than to the customer, of between \$150,000 and \$175,000 worth of merchandise. Special counsel has also reported that nothing in its investigation revealed any facts which could lead one reasonably to believe that any of the Company's directors or senior management had any information concerning the abuse until it was discovered in December 1975. Management is of the opinion that the abuse of the cooperative advertising program had no material effect upon, and that termination of the merchandise redemption feature of the program has had and will continue to have no material adverse effect upon, the Company's business, financial position or results of operations considered as a whole. The Company has filed Current Reports on Form 8-K with the Securities and Exchange Commission as to the investigation and its results. The Company does not deem the matter to be material.

As of March 15, 1977 the Company was a co-defendant in approximately 300 lawsuits involving alleged health claims of non-employees relating to the inhalation of asbestos fibres. In the two such lawsuits in which judgment after trial was entered against the Company, damages were awarded against a number of co-defendants, including the Company. The Company has settled certain other lawsuits involving similar claims. It is anticipated that additional suits may be filed by industrial insulation workers who have been exposed to asbestos dust at numerous construction sites where insulation materials manufactured by the Company and others were used. The Company has insurance coverage, which is generally subject to a \$50,000 deductible for legal fees and costs of settlement or judgment as to each case, with respect to actions of this type. Because premiums paid with regard to such insurance are experience rated, if the Company has an adverse loss experience with respect to such actions, its premiums will be increased to reflect such loss experience. A number of employees and former employees have also filed claims for diseases associated with the inhalation of asbestos fibres under applicable workmen's compensation laws. The Company is self-insured with respect to some of

these claims, a number of which have been settled. The cost to the Company of such settlements and awards in connection with these workmen's compensation claims is not readily ascertainable. The Company does not believe that the disposition of these existing actions and workmen's compensation claims will have a material adverse effect on the Company's financial position, although the effect on the Company of actions of this nature which may be filed in the future cannot be predicted at this time.

The Company is a defendant (generally one of several) in a number of cases and claims involving allegedly defective roofing. While the amounts claimed in a number of these cases are substantial, the recovery, if any, from the defendants is generally apportioned among them and it is therefore unlikely that the Company would be required to bear the full burden of any judgment or settlement.

#### Item 6. Increases and Decreases in Outstanding Securities.

##### (a) Equity securities.

	5 1/2% Convertible Preferred Stock	Common Stock
Number of shares outstanding at December 31, 1975 . . . . .	3,099,308	13,999,141
Conversion of Preferred Stock:		
March 17, 1976 . . . . .	(30)	25
July 1, 1976 . . . . .	(26)	35
August 23, 1976 . . . . .	(110)	137
Shares reacquired under the Restricted and Unrestricted Stock Purchase Plan:		
April 7, 1976 . . . . .		(8,000)
November 3, 1976 . . . . .		(3,000)
Issuance of shares under Incentive Compensation Plan:		
May 1, 1976 . . . . .	119	
June 1, 1976 . . . . .	305	
September 1, 1976 . . . . .	30	454
Issuance of common shares in connection with stock options exercised under the 1965 Stock Option Plan:		
From unowned shares:		
March 16, 1976 . . . . .		900
April 3, 1976 . . . . .		4,800
April 29, 1976 . . . . .		750
May 5, 1976 . . . . .		310
From treasury:		
September 27, 1976 . . . . .		2,850
October 8, 1976 . . . . .		5,800
Number of shares outstanding at December 31, 1976 . . . . .	3,099,902	8,350
Number of stock options outstanding at December 31, 1975 . . . . .		12,928,746
Options exercised — see above . . . . .		318,500
Options terminated — various dates . . . . .		(14,410)
Number of stock options outstanding at December 31, 1976 . . . . .		(4,400)
		593,690
Principal amount outstanding at December 31, 1975 . . . . .	\$5,900,000	\$ 3,900,000
Annual prepayment of principal on April 1, 1976 . . . . .	—	(900,000)
Principal amount outstanding at December 31, 1976 . . . . .	\$5,900,000	\$ 3,000,000

##### (b) Exampled sales.

On April 27, 1976 the Company issued \$65,000,000 in principal amount of 5 1/2% Senior Notes due March 31, 1981, as described in Item 7 of the Company's Form 10-K for the month of April 1976, which item is incorporated herein by reference.

During 1976 the Company issued 454 shares of preferred stock to former employees pursuant to the terms of an Incentive Compensation Plan assumed from The Huberold Co. The securities were issued in reliance upon an exemption from registration provided by Section 4(2) of the Securities Act of 1933.

**Item 7. Approximate Number of Equity Security Holders.**

Holders of outstanding equity securities at February 28, 1977:

(1) Title of Class	(2) Number of Record Holders
Preferred Stock (\$1 par value)	8,383
Common Stock (\$1 par value)	64,921
5% Convertible Subordinated Notes	12
5½% Convertible Subordinated Notes	3

**Item 8. Executive Officers of the Registrant.**

The names and ages of the executive officers of the Registrant as of March 25, 1977, the date from which they have served as officers, and their present positions with the Registrant are as follows:

Jesse Werner	60	January 1959	Chairman of the Board and President
Philip B. Dalton	53	September 1964	Executive Vice President
Juliette M. Moran	59	October 1967	Executive Vice President
James T. Sherwin	43	June 1971	Executive Vice President
Frank T. Campagna	51	July 1973	Senior Vice President (International)
James M. Cloney	58	August 1966	Senior Vice President
R. Power Fraser, Jr.	53	June 1968	Senior Vice President (Photo & Repro)
John F. Gow	57	June 1971	Senior Vice President (Personnel)
Joseph G. Hall	57	May 1970	Senior Vice President (Building Materials)
Jay R. Olson	43	September 1970	Senior Vice President (Finance) and Treasurer
John A. Brennan	45	January 1977	Vice President (Photo & Repro Marketing)
John J. Butler	43	October 1972	Vice President (Building Materials Marketing)
George F. Dappert	55	November 1974	Vice President (International Manufacturing)
Thomas A. Dent	55	October 1967	Vice President (Technical Services)
Leo J. Fanouf	51	November 1974	Vice President (Building Materials Manufacturing)
Alfred Geduldig	41	December 1974	Vice President (Public Relations)
Simon W. Kantor	52	August 1972	Vice President (Research and Development)
Frederick W. McNabb, Jr.	44	November 1974	Vice President, General Counsel and Secretary
Richard C. Mullen	49	November 1974	Vice President (Photo & Repro Manufacturing)
Alfred P. Himlinger	60	January 1972	Vice President (International Services)
Jack Scheckowitz	49	January 1972	Vice President (Marketing Services)
Raymond W. Smith	38	November 1974	Vice President (Chemical Marketing)
Richard F. Smith	38	November 1974	Vice President (Commercial Development)
A. Eugene Stillman	52	September 1975	Vice President and Controller
Frank E. Wetherill	55	April 1975	Vice President (Chemical Manufacturing)

Dr. Werner is a member of the Executive Committee of the Board of Directors of the Registrant. Dr. Werner, Mr. Dalton, Miss Moran and Mr. Sherwin are directors of the Registrant.

All of the executive officers, except Mr. Brennan, who was elected at a meeting of the Board of Directors on January 14, 1977, were elected by the Board of Directors on April 27, 1976. All of the executive officers were elected to serve until the first meeting of the Board following the next Annual Meeting of Stockholders. There is no family relationship between any of the executive officers.

All of the executive officers named above have been in the employ of the Registrant or its subsidiaries for more than five years except as follows: Simon W. Kantor was Manager of the Polymer Chemistry Branch of the General Electric Company Research Development Center in Schenectady, New York until he joined the Registrant in August 1972. Alfred Geduldig joined the Registrant in 1974 and prior to that had been a public affairs executive with Mobil Oil Corporation. Prior to joining the Registrant in 1974 Frederick W. McNabb, Jr. was Vice President, General Counsel and Secretary of Continental Investment Corporation. Prior to joining the Registrant in 1975, A. Eugene Stillman was Vice President-Finance of Bausch & Lomb, Inc.

**Item 9. Indemnification of Directors and Officers.**

Item 9 is omitted pursuant to General Instruction H, as the information required is unchanged from that set forth in the Registrant's Form 10-K filed for the year ended December 31, 1971.

**Item 10. Financial Statements and Exhibits Filed.**

**(a) Financial Statements.**

- (1) The following financial statements of GAF Corporation and Consolidated Subsidiaries are contained on the indicated pages:

	<u>Page Number</u>
Opinion of Independent Certified Public Accountants .....	19
Consolidated Balance Sheet as of December 31, 1976 and 1975 .....	20
Consolidated Statement of Income for the two years ended December 31, 1976 .....	22
Consolidated Statement of Changes in Financial Position for the two years ended December 31, 1976 .....	23
Consolidated Statement of Stockholders' Equity for the two years ended December 31, 1976 .....	24
Notes to Consolidated Financial Statements .....	25

- (2) The following schedules for the two years ended December 31, 1976 are contained on the indicated pages:

Schedule V — Property, Plant and Equipment	S-1
Schedule VI — Accumulated Depreciation of Property, Plant and Equipment	S-2
Schedule VII — Intangible Assets	S-3
Schedule VIII — Accumulated Amortization of Intangible Assets	S-4
Schedule XII — Valuation and Qualifying Accounts and Reserves	S-5

Separate financial statements of GAF Corporation are omitted because its total assets, exclusive of investments in and advances to consolidated subsidiaries, constitute 75 per cent or more of the total assets shown by the latest consolidated balance sheet filed and total gross revenues for the latest period for which profit and loss statements are filed, exclusive of interest and dividends received from, or equity in income of, the consolidated subsidiaries, constitute 75 per cent or more of the total gross revenues shown by the consolidated profit and loss statements filed.

Schedules, other than those listed above, are omitted because of the absence of the conditions under which they are required or because the required information, where material, is shown in the financial statements or the notes thereto.

**(b) Exhibits:**

- B(1) —Executive Incentive Compensation Plan (as amended through December 14, 1976).  
(2) —1975 Stock Option Plan.  
(3) —Deed of Surety and Guarantee, dated February 27, 1976, in favor of Algemene Spaar-en Lijfrentekas and Nationale Maatschappij Voor Krediet Aan de Nijverheid with respect to Loan Agreement dated November 21, 1975 among Algemene Spaar-en Lijfrentekas, Nationale Maatschappij Voor Krediet Aan de Nijverheid and GAF (Belgium) N.V. and appendices, with amendments thereto dated February 25, 1976 and October 14, 1976 (with English translations).  
(4) —Confirmed Composite Note Agreement between the Company and certain institutional lenders dated as of April 7, 1976.  
(5) —Form of Confirmed Line of Credit Agreements between the Company and various banks.  
C(1) —Computation of Earnings per Common Share for the Five Years Ended December 31, 1976.

**PART II**

Items 11 through 15 are omitted pursuant to General Instruction H since the Registrant has filed with the Commission pursuant to Regulation 14A a definitive proxy statement for its 1977 Annual Meeting of Stockholders, which involves the election of directors.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GAF CORPORATION  
(Registrant)

JAMES T. SHERWIN

By .....  
(Signature)

Date: March , 1977

## OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

### GAF Corporation:

We have examined the consolidated balance sheet of GAF Corporation and its consolidated subsidiaries as of December 31, 1976 and 1975 and the related consolidated statements of income, stockholders' equity, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the companies at December 31, 1976 and 1975 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examination also comprehended the supplemental schedules for the years ended December 31, 1976 and 1975, as listed in the table of contents in Item 10(a). In our opinion, such supplemental schedules, when considered in relation to the basic financial statements, present fairly in all material respects the information shown therein.

HASLING & SELLER

New York, New York  
February 7, 1977



**GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET**

**ASSETS**

	December 31,	
	1976	1975
	Dollars in Thousands	
CURRENT ASSETS		
Cash .....	\$ 18,306	\$ 33,593
Marketable securities, at cost which approximates quoted market value .....	442	4,175
Accounts receivable — trade, less allowance for doubtful accounts — 1976, \$6,444,000; 1975, \$4,908,000 .....	156,189	151,533
Accounts receivable — other .....	10,687	10,159
Inventories (Notes 1 and 4) .....		
Finished goods .....	123,340	108,189
Work in process .....	51,168	48,389
Raw materials and supplies .....	84,082	78,432
Total inventories .....	258,490	230,941
Prepaid expenses .....	7,804	6,583
Total current assets .....	<u>451,317</u>	<u>498,594</u>
PROPERTY, PLANT AND EQUIPMENT at cost (Notes 1 and 5)		
Land and land improvements .....	15,876	15,083
Buildings and building equipment .....	109,048	104,588
Machinery and equipment .....	277,709	270,639
Construction in progress .....	<u>29,093</u>	<u>17,076</u>
Total property, plant and equipment .....	431,585	407,383
Less accumulated depreciation .....	<u>198,282</u>	<u>163,815</u>
Property, plant and equipment — net .....	<u>233,303</u>	<u>243,568</u>
OTHER ASSETS		
Cost in excess of net assets acquired (Note 1) .....	34,574	34,790
Other investments and advances (Note 2) .....	8,803	8,153
Other assets .....	<u>8,136</u>	<u>7,443</u>
Total other assets .....	<u>50,913</u>	<u>49,386</u>
TOTAL ASSETS .....	<u>\$765,473</u>	<u>\$780,548</u>

See Notes to Consolidated Financial Statements.

**GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET**

**LIABILITIES**

	<u>December 31,</u>	
	<u>1976</u>	<u>1975</u>
	<u>Dollars in Thousands</u>	
<b>CURRENT LIABILITIES</b>		
Notes payable (Note 7):		
Banks .....	\$ 4,072	\$ 11,374
Commercial paper .....	5,900	—
Other (foreign) .....	14,412	10,380
Current portion of long-term debt (Note 7) .....	4,036	27,683
Accounts payable:		
Trade .....	60,536	56,986
Other .....	7,327	4,187
Accrued liabilities:		
Payroll .....	4,765	4,199
Retirement plan .....	10,394	9,879
Other taxes .....	3,787	5,412
Interest .....	2,895	1,772
Other .....	23,731	20,893
United States and foreign income taxes .....	4,276	6,071
<b>Total current liabilities</b> .....	<b>145,427</b>	<b>159,766</b>
<b>LONG-TERM DEBT LESS CURRENT PORTION (Note 7)</b> .....	<b>184,823</b>	<b>139,168</b>
<b>DEFERRED CREDITS (Notes 1 and 8)</b>		
Income taxes .....	39,386	35,231
Investment tax credit .....	3,153	3,728
<b>Total deferred credits</b> .....	<b>42,539</b>	<b>38,959</b>
<b>OTHER LIABILITIES</b> .....	<b>4,739</b>	<b>4,686</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES (Note 13)</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred Stock, \$1 per value; authorized 8,000,000 shares; \$1.20 convertible series; issued — 1976, 3,108,008 shares; 1975, 3,105,708 shares; at assigned value of \$1.20 per share (liquidation value 1976, \$83,314,000) (Notes 8 and 9) .....	3,863	3,882
Common Stock, \$1 per value; authorized 25,000,000 shares; issued — 1976, 13,770,347 shares; 1975, 13,764,080 shares (Notes 8 and 9) .....	13,770	13,764
Additional paid-in capital .....	53,829	53,151
Retained earnings (Note 7) .....	327,835	313,546
<b>Total</b> .....	<b>395,297</b>	<b>380,343</b>
Less: Stock held in treasury, at cost:		
Common — 1976, 531,599 shares; 1975, 534,949 shares .....	4,338	4,380
Preferred — 1976, 76,400 shares; 1975, 76,400 shares .....	928	928
<b>Total stockholders' equity</b> .....	<b>389,947</b>	<b>374,931</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b> .....	<b>\$765,473</b>	<b>\$720,548</b>

See Notes to Consolidated Financial Statements.

# GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES

## CONSOLIDATED STATEMENT OF INCOME

	Year Ended December 31,	
	1978	1975
	Dollars in Thousands	
Net Sales .....	\$1,470,507	\$984,481
Costs and Expenses:		
Cost of products sold (Note 4) .....	772,511	691,104
Distribution and selling .....	147,735	134,855
Advertising .....	19,788	18,409
Research and development .....	17,053	13,972
Administrative and general .....	47,545	43,883
Interest (Note 7) .....	16,040	16,585
Total Costs and Expenses .....	1,028,572	921,818
Other Income (Charges):		
Provision for silver loss (Note 14) .....	(3,500)	—
Gain on sale of technology and know-how (Note 2) .....	—	4,000
Other — net .....	1,308	(694)
Total Other Income (Charges) — Net .....	(1,902)	3,306
Income Before Income Taxes .....	30,033	48,900
Income Taxes (Note 8) .....	10,335	15,563
Net Income .....	19,700	30,946
Less Preferred Stock Dividend Requirements .....	3,635	3,635
Net Income Applicable to Common Stock .....	\$ 16,065	\$ 27,311
Weighted Average Number of Common Shares Outstanding .....	12,903,000	13,237,000
Earnings per Common Share:		
Primary .....	\$1.21	\$2.06
Fully diluted .....	\$1.14	\$1.79

See Notes to Consolidated Financial Statements.

**GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**

	Year Ended December 31,	
	1976	1975
	Dollars in Thousands	
<b>Funds Provided</b>		
From operations:		
Net income	\$ 19,700	\$ 30,946
Charges (credits) not affecting working capital:		
Depreciation	27,540	25,086
Deferred income taxes	1,154	3,357
Translation (gains) losses -- noncurrent portion	(351)	640
Other	2,061	888
Funds provided from operations	53,804	60,787
Increases in long-term debt	116,465	1,075
Total	<u>170,269</u>	<u>61,862</u>
<b>Funds Applied</b>		
Additions to property, plant and equipment	46,391	37,065
Cash dividends	11,311	10,508
Reductions in long-term debt	72,414	42,865
Investment in joint venture company	--	6,540
Acquisition of common stock for treasury	27	120
Property, plant and equipment of businesses acquired	2,155	--
Other assets of businesses acquired	1,521	--
Other	368	647
Total	<u>134,207</u>	<u>96,384</u>
Increase (Decrease) in Working Capital	36,062	(34,522)
Working capital, January 1	267,226	304,263
Working capital, December 31	<u>230,860</u>	<u>269,741</u>
<b>Analysis of Changes in Working Capital</b>		
Increase (decrease) in current assets:		
Cash	\$ (5,980)	\$ 12,503
Accounts receivable	5,453	(556)
Inventories	27,540	(18,519)
Prepaid expenses	741	(2,014)
Total	<u>24,723</u>	<u>(8,586)</u>
(Increase) decrease in current liabilities:		
Notes payable	(1,930)	16,877
Current portion of long-term debt	23,645	(22,440)
Accounts payable	(9,698)	(16,897)
Accrued liabilities	(3,487)	(1,632)
United States and foreign income taxes	(1,793)	4,373
Total	<u>13,339</u>	<u>(27,879)</u>
Increase (Decrease) in Working Capital	<u>\$ 36,062</u>	<u>\$ (34,522)</u>

See Notes to Consolidated Financial Statements.

**GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
For the Years Ended December 31, 1976 and 1975

	Preferred Stock		Common Stock \$1 Per Value	Additional Paid-in Capital	Retained Earnings	Treasury Stock		
	Number of Shares Issued	Assigned Value	Number of Shares Issued			Number of Shares	Cost	
Balance, December 31, 1974	3,105,411	\$3,888,000	13,763,715	\$58,791,000	\$893,108,000	76,400	680,940	\$5,967,000
Net income					30,946,000			
Cash dividends:								
Preferred stock — \$1.20 per share					(3,835,000)			
Common stock — \$.55 per share					(6,873,000)			
Issuance of shares under an incentive compensation plan assumed by the Company	595	1,000		13,000				
Conversion of preferred stock	(300)	(1,000)	375					
Shares reacquired under the Restricted and Unrestricted Stock Purchase Plan							88,000	130,000
Issuance of treasury shares in connection with sales under the Stock Purchase Plan				(185,000)			(108,000)	(705,000)
Amortization of excess of quoted market value over ag- gregate sales price of re- stricted shares sold under the Stock Purchase Plan (Note 9)				638,000				
Balance, December 31, 1975	3,105,706	\$3,888,000	13,764,000	\$53,181,000	\$313,546,000	76,400	534,940	\$5,212,000
Net income					19,700,000			
Cash dividends:								
Preferred stock — \$1.20 per share					(3,835,000)			
Common stock — \$.56 per share					(7,875,000)			
Stock options exercised			6,080	84,000			(4,350)	(69,000)
Issuance of shares under an incentive compensation plan assumed by the Company	484	1,000		6,000				
Conversion of preferred stock	(188)		197					
Shares reacquired under the Restricted and Unrestricted Stock Purchase Plan							5,000	27,000
Amortization of excess of quoted market value over ag- gregate sales price of re- stricted shares sold under the Stock Purchase Plan (Note 9)				385,000				
Balance, December 31, 1976	3,106,038	\$3,888,000	13,770,347	\$53,660,000	\$351,435,000	76,400	531,890	\$5,270,000

See Notes to Consolidated Financial Statements.

## GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### Note 1. Summary of Significant Accounting Policies

The accounts of all significant subsidiaries of the Company are included in the consolidated financial statements. Certain 1975 balance sheet amounts have been reclassified to conform with the classifications followed in 1976.

**Translation of Foreign Currencies** — Cash, accounts receivables and liabilities of foreign subsidiaries are translated into U.S. dollars at current exchange rates; all other assets, deferred income taxes and depreciation are translated at historical rates. Operating accounts, except for depreciation, are translated using average exchange rates to approximate the rates in effect when transactions were consummated.

Foreign exchange gains and losses are included in net income for the period in which the exchange rate changed.

**Inventories** — Inventories, other than dyestuffs and pigments, are valued at the lower of cost (principally average) or market. Effective with the year ended December 31, 1974, dyestuffs and pigments inventories are valued at cost, determined by the last-in, first-out (LIFO) method.

**Property, Plant and Equipment, and Related Depreciation** — Expenditures for maintenance and repairs are charged directly to expense; major replacements and betterments are capitalized and depreciated over the remaining estimated economic lives of the related assets. The cost and related accumulated depreciation of property sold, retired or fully depreciated are removed from the accounts and any resultant gain or loss is included in current income.

Depreciation is computed principally on the straight-line method based on the estimated economic lives of the assets. These lives are subject to annual review and revision to assure that the cost of the related assets is written off over their economic lives.

**Cost in Excess of Net Assets Acquired** — Cost in excess of net assets acquired in connection with acquisitions prior to November 1, 1970 is not being amortized because there has been no diminution in value; such cost relating to acquisitions made subsequent to October 31, 1970, all of which has continuing value, is being amortized on the straight-line method over a period of forty years.

**Deferred Income Taxes** — Deferred income taxes arise from reporting certain income and expense items in the financial statements in periods different from those in which such amounts are reported for United States income tax purposes.

**Investment Tax Credit** — The Company accounts for investment tax credits arising since January 1, 1971 as a reduction of the provision for United States income tax (the flow-through method). Investment tax credits which arose prior to that date have been deferred and are being amortized over the estimated service lives of the related assets.

**Research and Development Costs** — Expenditures for research and development are charged to income as incurred.

**Retirement Plans** — The Company and its subsidiaries have several retirement plans covering substantially all employees. The Company's policy is to fund amounts equal to pension costs accrued and, for plans with prior service costs, to amortize such costs over periods not to exceed forty years.

**Earnings per Share** — Primary earnings per common share are computed by dividing net income, less preferred stock dividend requirements, by the weighted average number of shares of common stock outstanding during the year. The computation assumes the exercise of outstanding stock options to the extent they are dilutive.

Fully diluted earnings per common share are computed on the assumption (where the effect thereof would be dilutive) that convertible securities outstanding had been converted into shares of common stock. Appropriate adjustments for dividends on preferred stock and interest on convertible notes (net of income tax effect) are made to earnings applicable to common stock for assumed conversions. The computation also assumes the exercise of all dilutive stock options.

# GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### Note 2. Gain on Sale of Technology and Know-how

During 1975 the Company and Chemische Werke Hüls, A.G. ("Hüls"), a West German company, formed a joint venture (GAF/Hüls Chemie G.m.b.H.) to construct and operate a butanediol manufacturing plant in West Germany. The joint venture is owned equally by the Company and Hüls. The investment is included in Other Assets and has been accounted for by the equity method.

In the second quarter of 1975, the Company sold certain technology and know-how to the joint venture resulting in a gain of \$4,000,000 after elimination entries. This gain is not subject to U.S. income tax.

### Note 3. Foreign Operations

Foreign exchange losses of \$1,500,000 and \$1,257,000 (after taxes) are included in net income for the years 1976 and 1975, respectively.

The Company's foreign subsidiaries are located principally in Western Europe, Canada and Australia.

The consolidated financial statements include the following amounts with respect to foreign subsidiaries (all of which are wholly owned):

	BALANCE SHEET	
	December 31,	
	1976	1975
	Dollars in Thousands	
Current assets	\$ 75,648	\$ 72,814
Other assets	28,561	12,691
Total assets	102,909	85,505
Current liabilities	35,968	28,137
Other liabilities	11,833	8,645
Total liabilities	47,721	36,782
Net assets	\$ 54,488	\$ 48,723

	STATEMENT OF INCOME	
	Year Ended December 31,	
	1976	1975
	Dollars in Thousands	
Net sales	\$142,302	\$135,586
Net income	\$ 650	\$ 3,245

The Company's share of net losses from investments accounted for on the equity method were \$67,000 and \$107,000 in 1976 and 1975, respectively. Such net losses were recorded as other income.

### Note 4. Inventories

The Company accounts for dyestuff and pigment inventories on the last-in, first-out (LIFO) method. The current cost for these inventories exceeded their LIFO valuation by \$4,918,000 and \$4,712,000 at December 31, 1976 and 1975, respectively.

The inventory balance at December 31, 1974, totaled \$249,460,000 and was comprised of finished goods, \$105,647,000; work in process, \$43,948,000; and raw materials and supplies, \$99,865,000.

### Note 5. Property, Plant and Equipment

The ranges of annual depreciation rates generally were as follows:

Land improvements	2 %-10%
Buildings and building equipment	1 1/2 %-10%
Machinery and equipment	3 %-40%

### Note 6. Income Taxes

Provision has not been made for the United States income taxes on unremitted earnings of foreign subsidiaries of \$34,867,000, since any withholding taxes and United States income taxes payable on dividends based on undistributed earnings would be substantially offset by foreign tax credits or because the remittance of such earnings has been indefinitely postponed. United States income taxes have not been provided on the unremitted earnings of the Domestic International Sales Corporation subsidiary aggregating \$9,103,000 through December 31, 1976, since the Company intends to postpone indefinitely the remittance of such earnings.

**CAF CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Note 6. Income Taxes — (Continued)**

The provision for income taxes consists of the following:

	1976	1975
	<u>Dollars in Thousands</u>	
United States — current	\$ 6,883	\$10,856
United States — deferred	3,082	2,983
United States investment tax credit	(8,806)	(8,985)
Amortization of deferred United States investment tax credits arising prior to 1971	(573)	(573)
Foreign	1,481	3,641
State and local	1,318	1,809
Total income taxes	<u>\$10,353</u>	<u>\$18,863</u>

The effective tax rates were 34.4% and 33.5% in 1976 and 1975, respectively. The reasons for the differences from the statutory rate of 48.0% are as follows:

	<u>% of Pre-tax Income</u>	
	1976	1975
Statutory rate	48.0%	48.0%
Increases (decreases) in tax rates resulting from:		
Gain on sale of technology and know-how	—	(8.9)
United States investment tax credit	(10.8)	(7.5)
State and local income taxes, net of United States income tax benefit	2.3	2.8
Lunaratic International Sales Corporation — DISC	(2.8)	(2.9)
Other — net	(3.1)	2.3
Effective tax rate	<u>34.4%</u>	<u>33.5%</u>

The principal sources of United States deferred taxes were:

	1976	1975
	<u>Dollars in Thousands</u>	
Excess of tax depreciation over amount reported in Consolidated Statement of Income	\$2,377	\$2,614
Foreign exchange transactions	413	(730)
Other — net	1,168	1,039
Total deferred taxes	<u>\$3,958</u>	<u>\$2,923</u>

**Note 7. Debt, Dividend Restrictions and Interest**

Long-term debt at December 31, 1976 and 1975 was as follows:

	1976	1975
	<u>Dollars in Thousands</u>	
9 1/4% senior notes due March 31, 1991, with equal annual principal repayments beginning March 31, 1988	\$ 66,000	\$ —
8 1/4% senior notes due January 15, 1987, with equal annual principal repayments beginning January 15, 1983	40,000	—
5 1/4% sinking fund debentures due December 1, 1991 with annual sinking fund payments of \$6,500,000 on each December 1, due \$1,375,000 and \$2,250,000 in treasury in 1976 and 1975, respectively	28,187	27,131
Ten-tenny industrial revenue bonds which bear interest at rates of 3 1/4% to 6 1/4% and mature at various dates to 2001	81,104	11,864
5% convertible subordinated notes due April 1, 1994 with annual repayments beginning April 1, 1990	8,900	8,900
5 1/4% convertible subordinated notes due April 1, 1993 with annual repayments of \$600,000 on each April 1 through 1998 and the balance of \$1,200,000 payable April 1, 1993	3,000	3,000
6 1/4% senior notes paid October 1, 1978	—	19,085
Preiminary notes, payable to bonds, due in 1980 and 1981	—	79,000
Other notes which bear interest at 5 1/4% to 15 1/4% and mature at various dates to 1987	15,430	15,541
Total	<u>186,581</u>	<u>166,581</u>
Less portion due within one year	<u>4,039</u>	<u>87,883</u>
Long-term debt, less current portion	<u>\$182,542</u>	<u>\$78,698</u>

The proceeds from the sale of the 9 1/4% senior notes, obtained April 27, 1978, were applied toward the retirement of preliminary notes due in 1980 and 1981. The retired preliminary notes bore interest at rates ranging from 11 1/2% to 15 1/2% of the prime commercial lending rate.



# GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### Note 7. Debt, Dividend Restrictions and Interest — (Continued)

The proceeds from the sale of the 8½% senior notes obtained February 1977 were used to reduce short-term debt outstanding at December 31, 1976. The financial statements reflect the issuance of these notes and an equivalent reduction of the related short-term debt outstanding at December 31, 1976.

The 5% convertible subordinated notes are convertible into shares of common stock, at any time, at a conversion price of \$27.50 per share (subject to antidilution adjustments in specified circumstances).

The 5¾% convertible subordinated notes are presently convertible into shares of common stock at a conversion price of \$28.72 per share (subject to antidilution adjustments in specified circumstances) only in connection with certain prepayments. All other conversion rights lapsed on April 1, 1976.

Cash requirements to meet maturing debt obligations over the next five years are:

1977	\$4,028,000
1978	4,813,000
1979	6,818,000
1980	5,804,000
1981	5,708,000

At December 31, 1976, GAF had domestic lines of credit aggregating \$100,000,000. Sixty-eight million dollars is in the form of three-year agreements with a group of banks. Borrowings against these lines of credit bear interest generally at 150% of the prime commercial lending rate. The Company must pay an annual fee of ¼ of 1% of the unused portion of the \$68,000,000 commitment; no compensating balances are required and, with proper notice, the agreements may be cancelled without penalty. The remaining lines of credit bear interest generally at the prime commercial lending rate. Compensating balances are generally required on these lines of credit to equal 50% of the outstanding borrowings and 10% of the unused portion. At December 31, 1976, compensating balances amounted to approximately \$3,900,000. None of these lines of credit were utilized at December 31, 1976.

Dividends are restricted under provisions of certain loan agreements. Under the most restrictive of these provisions, retained earnings cannot be reduced below \$59,294,000. Retained earnings at December 31, 1976 were \$381,885,000.

Short-term debt at December 31, 1976 was \$23,641,000 as compared with an average of \$32,668,146 for the year 1976; the maximum amount of such borrowings which were outstanding at any month-end during 1976 was \$79,608,000. The average interest rate on the year-end balance was 8.8% as compared with an average of 7.8% for the full year.

Interest expense for the years ended December 31, 1976 and 1975 was comprised of:

	1976	1975
Interest on Long-Term Debt	\$11,543	\$13,446
Amortization of Debt Premium	187	198
Other Interest	4,291	5,449
Total	\$16,021	\$19,193

### Note 8. Capital Stock

The \$1.50 convertible preferred stock, dividends on which are cumulative, is convertible at any time into common stock at the rate of 1¼ shares of common stock for each share of preferred. The company may redeem the preferred stock at \$28.00 per share through May 31, 1977 and \$27.50 per share thereafter.

The voluntary or involuntary liquidation value of the 3,489,602 outstanding shares (3,108,002 shares issued less 70,400 shares held in treasury) of \$1.50 convertible preferred stock at December 31, 1976, aggregating \$53,314,000, exceeds the unpaid value by \$28.35 per share, or a total of \$79,157,000.

# GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### Note 8. Capital Stock — (Continued)

In the opinion of counsel for the Company, retained earnings are not restricted as to payment of dividends on common stock by reason of the liquidation preferences of the \$1.20 Convertible Preferred Stock.

The number of shares of the Company's capital stock reserved for issuance at December 31, 1976 and 1975 were as follows:

	1976	1975
<b>\$1.20 Convertible Preferred Stock:</b>		
Reserved for payment of deferred stock awards under an incentive compensation plan assumed by the Company	467	981
<b>Common Stock:</b>		
Reserved for conversion of \$1.20 Convertible Preferred Stock, including 584 and 1,151 shares, respectively, for deferred stock awards	3,787,587	3,787,784
Reserved for exercise of stock options	1,003,800	1,112,500
Reserved for conversion of 5 1/2% Convertible Subordinated Notes	104,487	111,430
Reserved for conversion of 5% Convertible Subordinated Notes	208,182	208,182
Reserved for sale under the Stock Purchase Plan	316,900	311,900
<b>Total</b>	<b>5,000,116</b>	<b>5,681,086</b>

None of the shares outstanding is held by or for the account of the issuer thereof and no shares, other than stated above, are reserved for officers and employees or for options, warrants, conversions, or other rights.

### Note 9. Stock Option and Stock Purchase Plans

The 1975 stock option plan authorizes the granting of non-qualified stock options for 800,000 shares to key employees during a ten-year period ending February 11, 1985. The prices at which options may be granted may not be less than 100% of the fair market value of the shares on the dates the options are granted. No options have been granted under the 1975 stock option plan.

Authority to grant options under the Company's 1965 qualified stock option plan expired on March 31, 1975. Under the provisions of the plan, options to purchase shares of common stock were granted to key employees during a ten-year period. The prices at which options were granted were not less than 100% of the fair market value of the shares on the dates the options were granted. The options are exercisable after a one-year waiting period and terminate five years from date of grant.

Options outstanding by year of grant at December 31, 1976 and 1975 were as follows:

Year of Grant	Option Price Per Share	1976		1975	
		Number of Shares	Total Option Price	Number of Shares	Total Option Price
1972	\$90.875	35,500	\$ 741,000	37,500	\$ 783,000
1973	12.887	65,000	838,000	68,500	880,000
1974	9.500	43,000	408,000	40,000	437,000
1975	9.880	150,190	1,485,000	180,500	1,585,000
1976	—	—	—	—	—
		<b>293,690</b>	<b>\$3,430,000</b>	<b>316,500</b>	<b>\$3,644,000</b>

At December 31, 1976 and 1975 there were 800,000 shares of common stock reserved for the granting of additional options.

Common stock options became exercisable as follows:

Year Exercisable	Number of Shares	Option Price		Market Price on Date First Exercisable	
		Per Share	Total	Per Share	Total
1973	—	\$ —	\$ —	\$ —	\$ —
1974	65,000	\$9.875 - \$23.375	1,445,000	10.337 - 11.562	750,000
1975	74,500	12.887	948,000	8.487	645,000
1976	54,000	9.50	513,000	10.185	547,000
1976	180,500	9.88	1,585,000	13.313	2,137,000

# GAP CORPORATION AND CONSOLIDATED SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### Note 8. Stock Option and Stock Purchase Plans — (Continued)

Common stock options exercised were as follows:

Year Ended December 31,	Number of Shares	Option Price		Market Price on Date Exercised	
		Per Share	Total	Per Share	Total
1972	57,750	\$10.1875-\$5.375	\$ 987,000	\$31.125-\$7.40	\$1,454,000
1973	1,000	10.1875	10,000	14.812-\$1.1875	18,000
1974	—	—	—	—	—
1975	—	—	—	—	—
1976	14,410	9.50 -50.875	150,000	13.75 18.375	212,000

Options for 383,690 and 152,000 shares of common stock, having an aggregate option price of \$3,420,000 and \$2,089,000 respectively, were exercisable at December 31, 1976 and 1975, respectively.

\$1.50 Convertible Preferred Stock options exercised were as follows:

Year Ended December 31,	Number of Shares	Option Price		Market Price on Date Exercised	
		Per Share	Total	Per Share	Total
1972	2,815	\$13.600-17.750	\$ 42,000	\$29.125-32.000	\$ 90,000
1973	—	—	—	—	—
1974	—	—	—	—	—
1975	—	—	—	—	—
1976	—	—	—	—	—

The proceeds from stock options exercised were credited to the preferred and common stock accounts in the amount of the assigned or par values of the respective shares issued, and the excess was credited to additional paid-in capital.

Under the provisions of the Company's 1969 restricted and unrestricted stock purchase plan, 650,000 shares of common stock may be sold to key employees. The stock purchase plan as originally adopted provided that restricted and unrestricted shares may be sold at prices which are not less than 50% and 80%, respectively, of the closing market prices preceding the date on which an employee is designated as one to whom shares may be offered for sale. The minimum purchase price of restricted shares under the stock purchase plan was ruled from 50% to 50% of such market price in accordance with a court-approved settlement terminating certain stockholders' derivative litigation. The excess of quoted market value over the aggregate sales price for restricted shares sold is being amortized by charges to income over the restriction period. The unamortized balance to be amortized through 1984 amounted to \$702,000 and \$1,150,000 at December 31, 1976 and 1975, respectively. Under certain conditions, the Company has the right to repurchase restricted shares of common stock at the original selling price. These repurchased shares are held in treasury.

### Note 10. Retirement Plans

The cost of employee retirement benefits amounted to \$12,293,000 in 1976 and \$11,797,000 in 1975. At December 31, 1976, the actuarially computed value of vested benefits exceeded the total of pension funds and accrued liabilities for pension costs by \$47.5 000. The estimated unfunded prior service cost at December 31, 1976 was \$83,800,000.

### Note 11. Executive Incentive Compensation

The Company has an Executive Incentive Compensation Plan that provides for bonuses to key executives of the Company based on consolidated net income (as defined). The provision for such bonuses was \$465,000 and \$1,399,000 in 1976 and 1975, respectively.

### Note 12. Supplementary Income Statement Information

The following table summarizes supplementary income statement information for the years ended December 31, 1976 and 1975.

	Charged to Costs and Expenses	
	1976	1975
Maintenance and repairs		Dollars in Thousands
Depreciation of property, plant and equipment	942,491	941,704
Taxes, other than taxes on income:		
Social Security and unemployment	57,840	55,086
Other	16,535	16,590
Interest	4,767	7,977
	17,106	14,607

# CAF CORPORATION AND CONSOLIDATED SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### Note 12. Supplementary Income Statement Information — (Continued)

Approximately 40% of rent expense is applicable to noncapitalized financing leases (as defined by the Securities and Exchange Commission). If the assets associated with such leases had been capitalized, the effect on net income would not have been significant in either 1976 or 1975. However, in such event, the expense presently recorded as rent would be comprised of two different elements (i.e. amortization of leaseholds and imputed interest). The amortization would represent the major portion of this expense.

### Note 13. Commitments and Contingent Liabilities

The Company is obligated under various long-term, noncancellable leases at December 31, 1976, as follows:

	Minimum Rental By Period			
	Land & Land Improvements	Buildings & Building Equipment	Machinery & Equipment	Total
	Dollars in Thousands			
1977 ..	\$ 33	\$ 4,788	\$5,179	\$ 9,999
1978 ..	33	4,308	876	5,217
1979 ..	33	3,914	805	4,152
1980 ..	34	3,587	75	3,700
1981 ..	38	3,523	57	3,618
1982-1986 ..	186	17,102	85	17,345
1987-1991 ..	128	11,780	9	11,917
1992-1996 ..	10	7,729	—	7,739
Beyond 1996 ..	10	2,308	—	2,408

The above amounts are for existing leases and do not represent a forecast of future expenses.

Approximately 55% of all rental commitments are applicable to noncapitalized financing leases. The present value of commitments applicable to these leases is less than five percent of the sum of long-term debt, stockholders' equity and the present value of such leases.

The Company had commitments of approximately \$20,505,000 at December 31, 1976 for the acquisition of property, plant and equipment.

At December 31, 1976 there were certain lawsuits and claims pending against the Company. In the opinion of management, the ultimate disposition of these matters will not materially affect the Company's consolidated financial position.

### Note 14. Provision for Silver Loss

For December 1976, the Company established a \$3.5 million reserve for a silver shortage. An intensive investigation to determine the cause of the shortage is under way with the assistance of CAF's outside auditors and attorneys. If the shortage is due to theft it may be recovered through insurance.

### Note 15. Quarterly Financial Data (Unaudited)

The following is a summary of financial data by quarter for the years 1976 and 1975:

	Dollars in Thousands							
	1976 By Quarter				1975 By Quarter			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Net Sales	\$254,475	\$271,682	\$282,183	\$248,207	\$209,480	\$235,779	\$225,869	\$253,111
Cost of Products Sold	180,574	194,889	204,795	185,273	151,542	170,038	167,801	181,583
Gross Profit	67,901	76,793	73,388	62,934	58,318	65,741	58,068	71,190
Net Income	4,780	8,176	5,911	833(a)	3,860	10,804(b)	12,118	4,974
Less Preferred Stock Dividend Requirements	900	900	900	900	900	900	900	900
Net Income Applicable to Common Stock	\$ 3,871	\$ 7,257	\$ 5,002	\$ (76)	\$ 2,741	\$ 9,905	\$ 11,210	\$ 4,075
Earnings per Common Share:	Dollars							
Primary	\$ .39	\$ .55	\$ .37	\$ —	\$ .31	\$ .70	\$ .85	\$ .30
Fully Diluted	\$ .39	\$ .47	\$ .34	(c)	\$ .21	\$ .60	\$ .70	\$ .25

(a) Includes \$3.5 million (\$1.7 million after-tax) provision for silver loss.

(b) Includes \$4.0 million nontaxable gain on sale of technology and know-how.

(c) Figure omitted because not dilutive.

# GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### Note 18. Supplemental Information on Replacement Cost (Unaudited)

The replacement cost information presented in this Note is furnished pursuant to Rule 3-17 of Regulation S-X. Rule 3-17 was adopted in the Securities and Exchange Commission's Accounting Series Release No. 190.

The Company believes that there are many imprecisions inherent in determining the required replacement cost data and cautions users to recognize the limitations on the usefulness of this information.

In compliance with ASR 190, the Company has calculated estimated replacement cost information for inventories, cost of products sold, depreciation and for the productive capacity of property, plant and equipment (including accumulated depreciation).

The following tables reconcile the historical costs reported in the Consolidated Financial Statements to the historical costs for which replacement cost data are required:

	Property, Plant and Equipment		Inventories
As of December 31, 1976	Cost	Accumulated Depreciation	Cost
	Dollars in Thousands		
As reported in the Consolidated Balance Sheet	\$431,525	\$168,252	\$256,490
Add fully depreciated assets written off but still in use	90,830	90,830	—
Total	522,354	259,121	256,490
Deduct amounts applicable to items for which replacement cost information is not required:			
Construction in progress	29,043	—	—
Other — including land, assets located in Australia, mineral resources, and assets not to be replaced	41,635	22,537	3,732
	70,728	22,537	3,732
Historical costs of assets for which replacement cost disclosures are required	\$451,636	\$236,584	\$254,758

	Cost of Products Sold	Depreciation Included In	
For the year ended December 31, 1976		Cost of Products Sold	Other
		Dollars in Thousands	
As reported in the Consolidated Financial Statements	\$779,511	\$22,038	\$5,602
Deduct amounts applicable to items for which replacement cost information is not required	8,366	1,155	468
Historical costs for which replacement cost disclosures are required	\$771,145	\$20,883	\$5,134

The following table summarizes the Company's replacement cost estimates:

	Historical Cost	Estimated Replacement Cost
Dollars in Thousands		
As of December 31, 1976:		
Property, plant and equipment	\$451,636	\$236,584
Accumulated depreciation	236,584	509,710
Net property, plant and equipment	\$215,052	\$310,873
Inventories	\$254,758	\$270,611
For the year ended December 31, 1976:		
Cost of products sold	\$771,145	\$788,898
Depreciation	\$20,883	\$35,369

### Method Used in Estimating Current Replacement Costs — Property, Plant and Equipment and Depreciation.

The Company has, in general, calculated the estimated replacement cost for most assets by applying appropriate indices to its historical asset costs. The index used in the U.S. was the Gross National Product Implicit Price Deflator. Other applicable indices were used in foreign countries.

## GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

#### Note 18. Supplemental Information on Replacement Cost (Unaudited) — (Continued)

It is believed that the indices used are reasonably representative of changes in prices for the assets. However, the Company disclaims any responsibility for the accuracy, consistency, weighting, or other factors that may affect such indices.

For some older buildings, current estimates of unit construction costs were used to determine the cost for an equivalent amount of floor space with like productive capacity. In one major facility, relatively current appraisals of replacement cost were updated to 1976 costs (using an index) and the updated amounts were used as being most representative of current replacement costs. (The two exceptions to the indexing method above represented 21% of the total replacement cost of buildings.) Estimated equipment replacement costs as determined by the index method were validated in several major product areas by comparison with the functional pricing of the equipment of each plant, i.e. by relating the replacement cost to the productive capacity in units among similar production facilities.

For replacement cost disclosures, both depreciation expense for the year 1976 and the accumulated depreciation at the end of 1976 have been calculated using the straight-line method based on the same estimated economic lives used for financial accounting purposes.

If replacement-cost depreciation were computed for all assets still in use, (including those which are fully depreciated for financial accounting purposes) depreciation expense for the year 1976 would approximate \$49,000,000.

Fully depreciated assets written off but still in use have been included in the calculation at an original cost of \$90,839,000; these assets have an apparent gross replacement cost of about 2.5 times the historical cost and as a result have tended to increase the ratio of replacement cost to historical cost. The replacement cost for other assets show an overall ratio of 1.6 times historical amounts.

Some of the Company's facilities have been in operation for decades. They have not been replaced and need not be replaced in the foreseeable future. In those areas of the business where significant technology changes have not been a major factor, betterments and additions to plant and equipment have enabled the Company to provide high quality, competitive products. Future technology, competitive factors, economic developments and corporate alternatives and strategies will be prime considerations in planning the replacement process.

Replacement cost information related to relatively small portions of a number of the Company's existing facilities has been excluded because management's current opinion is that these assets will not be replaced at the expiration of their useful lives. However, if market conditions subsequently improve, management may modify its current opinion and elect to continue in such product lines and accordingly, may be required to replace the productive capacity at that time. The historical cost of assets excluded on this basis is approximately \$4,200,000, net of accumulated depreciation.

#### *Method Used in Estimating Current Replacement Cost of Inventories and Cost of Products Sold.*

The replacement cost of finished products and work in process inventories have been estimated on the basis of standard costs adjusted to reflect current material, labor and overhead cost factors, as well as the estimated replacement depreciation expenses of productive facilities. LIFO inventories have been restated to a basis which approximates replacement cost at the end of the year.

In several major facilities which are on a modified average cost system, replacement costs for finished goods and work-in-process were determined by a sampling method which compared current versus historical based inventory costs. Raw materials have been estimated on the basis of the most recent prices absorbed by the Company.

The estimated replacement cost for inventories, determined as above, includes depreciation expense on the basis of a replaced, productive capacity. This should not be used as a prediction of the anticipated actual costs to be incurred by the Company in the replacement of inventories under its now existing plant configurations.

The replacement cost of products sold was estimated on the basis of current standard product costs adjusted to reflect increased replacement cost depreciation.

**CAE CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)**

**Note 16. Supplemental Information on Replacement Cost (Unaudited) -- (Continued)**

*Translation of Foreign Currencies*

All inventory and fixed asset amounts in foreign countries have been translated to U.S. dollars at exchange rates in effect at year end; amounts related to foreign cost of products sold and depreciation expense have been translated to U.S. dollars using average exchange rates in effect during 1978.

*Other Comments:*

Although the replacement cost data herein disclosed has been estimated in a reasonable manner, it is the opinion of the Company that this data is of limited value because of the subjectivity necessarily involved in making these estimates and the hypothetical assumption that the Company would replace its productive capacity at the end of its fiscal year, whether or not the funds to do so were available, or such "instant" replacement were physically possible. Accordingly, the data should not be construed to represent the Company's intent to replace immediately existing productive capacity or as a projection of the anticipated future costs of such replacement or of the subsequent costs and expenses to be incurred in the production process.

The replacement cost data presented above do not reflect any cost savings which would result from the replacement of existing assets with new assets which are inherently in better repair or from potential technological enhancements of more modern facilities and equipment. If the Company's productive capacity were replaced, the costs of raw materials consumed, direct labor input, repairs, maintenance, energies and other indirect cost would be altered in addition to the cost of depreciation. Although these cost savings cannot be quantified with any precision, the current level of operating costs other than depreciation would be reduced as a result of the replacement assumed in the hypothetical example. In the opinion of the Company, such operating cost efficiencies would be significant but would be partially offset by the additional costs, including depreciation of the new facilities. It should also be noted that if the replacement of productive capacity were effected, interest costs might substantially increase as a result of additional borrowings to finance such replacement. However, no effect of increased interest costs has been calculated because of the Company's inability to determine how much additional borrowing would be required. In addition, none of the cost effects thus far described have been adjusted for income tax effects including, but not limited to, the substantial investment tax credit which would result from the replacement of productive capacity. The funds for the eventual replacement of the Company's productive capacity may be provided not only by borrowings, but by earnings retained in the business. Investment tax credits, or issues of equity securities. The determination of the source of funds will be made at the time the funds are required in light of the circumstances at that time.

The replacement of all of the Company's productive capacity would present many problems including the relocation or consolidation of existing productive facilities, the expansion or contraction of labor force, the availability of raw materials and the proximity to customers, all of which would necessarily be required to be considered in depth before replacement was effected. Although the results of such additional studies would undoubtedly significantly alter the manner and consequently the cost of replacing productive capacity, as a practical matter, all of these studies and evaluations cannot reasonably be made available and evaluated at one point in time. In addition, the Company expects that many other difficulties, presently unidentified, would be experienced in the replacement of all its productive capacity. For example, the technology currently available to the Company and the related environment, factors are undergoing significant change and the effect thereof on the Company's replacement decisions cannot be predicted with any precision. The Company's resultant inability to reflect the costs related to such unidentified difficulties is illustrative of the inherent imprecision of the hypothetical information required by Rule 3-17.

The Company cautions that the replacement cost data set forth above is not the current value of existing property, plant and equipment and inventories. Rather, it represents management's estimate of the cost of replacement that would have been incurred at December 31, 1978, if such assets had been replaced in total at that time. Accordingly, the difference between the replacement cost and the historical cost of inventory and productive capacity does not represent additional book value for the Company's common stockholders.

## GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

#### Note 16. Supplemental Information on Replacement Cost (Unaudited) — (Continued)

In management's view, the above replacement cost information cannot be used to impute the effect of inflation on the Company's net income as reported without considering other factors including the impact of general price level changes and the impact of statutory taxing policies as they affect the Company. Accordingly, no disclosure of a revised income figure is given because of the substantial theoretical problems which exist in determining a quantifiable income effect. The data required by the SEC exclude other inflationary effects such as the possible holding gains experienced by a borrower during an inflationary period or the holding losses occurring from holding monetary assets (cash, receivables, etc.). The Company has not attempted to quantify the total impact of inflation and changes in other economic factors on its business because of the many unresolved conceptual problems involved in doing so. Further, the above replacement cost information standing alone does not recognize the customary relationships between cost changes and changes in selling prices.

Competitive and regulatory conditions over the years have sometimes prevented the Company from fully recognizing the effects of cost changes in its selling prices. Competitive and regulatory conditions permitting, the Company will continue to attempt in the future to modify its selling prices to recognize cost changes.



**SCHEDULE V**

**GAP CORPORATION AND CONSOLIDATED SUBSIDIARIES**

**SCHEDULE V — PROPERTY, PLANT AND EQUIPMENT**

**Year Ended December 31, 1976**

**(Dollars in Thousands)**

Classification	Balance at January 1, 1976	Additions at Cost (a)	Retirements	Other Changes Add (Deduct) (b)	Balance at December 31, 1976
Land .....	\$ 9,370	\$ 1,118	\$ 13	\$(22)	\$ 10,353
Land improvements .....	5,078	228	138	—	5,198
Mineral properties .....	728	—	634	28	122
Buildings and building equipment .....	104,585	5,474	2,011	—	108,048
Machinery and equipment .....	270,530	28,879	21,810	—	277,708
Construction in progress .....	17,076	18,017	—	—	22,093
	<u>\$407,383</u>	<u>\$43,546</u>	<u>\$24,404</u>	<u>\$ —</u>	<u>\$431,525</u>

**Notes:**

- (a) Includes \$2,155,000 applicable to businesses acquired.
- (b) Transfers between accounts.

**Year Ended December 31, 1975**

**(Dollars in Thousands)**

Classification	Balance at January 1, 1975	Additions at Cost	Retirements	Other Changes Add (Deduct) (a)	Balance at December 31, 1975
Land .....	\$ 9,087	\$ 230	\$ 18	\$ —	\$ 9,279
Land improvements .....	4,911	283	199	11	5,178
Mineral properties .....	746	19	37	—	728
Buildings and building equipment .....	100,587	6,284	2,588	2	104,585
Machinery and equipment .....	255,048	34,747	19,146	(12)	270,639
Construction in progress .....	21,145	(3,288)	489	—	17,076
	<u>\$381,788</u>	<u>\$37,985</u>	<u>\$22,354</u>	<u>\$ —</u>	<u>\$407,383</u>

**Notes:**

- (a) Transfers between accounts.

**SCHEDULE VI**

**GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES**

**SCHEDULE VI -- ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT**

**Year Ended December 31, 1976**

**(Dollars in Thousands)**

Classification	Balance at January 1, 1976	Additions Charged to Costs and Expenses	Retirements (Deduct)(a)	Other Changes Add	Balance at December 31, 1976
Land improvements .....	\$ 2,348	\$ 279	\$ 217	\$ —	\$ 2,408
Mineral properties .....	880	1	618	—	33
Buildings and building equipment .....	44,783	4,480	2,345	127	46,985
Machinery and equipment .....	116,036	22,940	19,983	(127)	118,856
	<u>\$163,818</u>	<u>\$27,640</u>	<u>\$23,173</u>	<u>\$ —</u>	<u>\$168,285</u>

**Notes:**

(a) Transfers between accounts.

**Year Ended December 31, 1975**

**(Dollars in Thousands)**

Classification	Balance at January 31, 1975	Additions Charged to Costs and Expenses	Retirements (Deduct)(a)	Other Changes Add	Balance at December 1, 1975
Land improvements .....	\$ 2,183	\$ 280	\$ 119	\$ 2	\$ 2,348
Mineral properties .....	884	3	7	—	880
Buildings and building equipment .....	43,791	4,141	2,144	(5)	44,783
Machinery and equipment .....	114,518	20,006	19,061	3	118,036
	<u>\$160,140</u>	<u>\$25,000</u>	<u>\$21,351</u>	<u>\$ —</u>	<u>\$163,815</u>

**Notes:**

(a) Transfers between accounts.

**SCHEDULE VII**

**GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES**

**SCHEDULE VII — INTANGIBLE ASSETS**

Year Ended December 31, 1976

(Dollars in Thousands)

Description	Balance at January 1, 1976	Additions at Cost	Charged to Costs and Expenses	Other Changes Add (Deduct)	Balance at December 31, 1976
Cost in excess of net assets acquired	\$35,144	\$—	\$—	\$ (145) (b)	\$34,999
Sales routes(a)	4,086	—	—	—	4,086
Patents and trademarks at nominal value(a)	8	—	—	—	8
FCC license and other intangibles(a)	—	1,581	—	—	1,581

**Notes:**

(a) The balances as of December 31, 1976 shown above are included in the Consolidated Balance Sheet under Other Assets.

(b) Application of income tax benefits realized through liquidation and merger into the Company of certain companies acquired in prior years.

Year Ended December 31, 1975

(Dollars in Thousands)

Description	Balance at January 1, 1975	Additions at Cost	Charged to Costs and Expenses	Other Changes Add (Deduct)	Balance at December 31, 1975
Cost in excess of net assets acquired	\$35,388	\$—	\$—	\$ (144) (b)	\$35,144
Sales routes(a)	4,086	—	—	—	4,086
Patents and trademarks at nominal value(a)	11	—	3	—	8

**Notes:**

(a) The balances as of December 31, 1975 shown above are included in the Consolidated Balance Sheet under Other Assets.

(b) Application of income tax benefits realized through liquidation and merger into the Company of certain companies acquired in prior years.

**SCHEDULE VIII**

**GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES**

**SCHEDULE VIII — ACCUMULATED AMORTIZATION OF INTANGIBLE ASSETS**

**Year Ended December 31, 1976**

**(Dollars in Thousands)**

Description	Balance at January 1, 1976	Charged to Costs and Expenses	Deductions	Balance at December 31, 1976
Cost in excess of net assets acquired .....	\$354	\$ 71	\$—	\$ 425
Sales routes .....	954	308	—	1,156
FCC license and other intangibles .....	—	24	—	24

**Year Ended December 31, 1975**

**(Dollars in Thousands)**

Description	Balance at January 1, 1975	Charged to Costs and Expenses	Deductions	Balance at December 31, 1975
Cost in excess of net assets acquired .....	\$380	\$ 84	\$—	\$364
Sales routes .....	770	184	—	954

**SCHEDULE XII**

**GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES**

**SCHEDULE XII — VALUATION AND QUALIFYING ACCOUNTS AND RESERVES**

**Year Ended December 31, 1978**

**(Dollars in Thousands)**

Description	Balance at January 1, 1978	Charged to Costs and Expenses	Deductions	Balance at December 31, 1978
Deducted from Accounts Receivable — Trade:				
Allowance for doubtful accounts .....	\$4,808	\$ 3,952	\$ 2,416(a)	\$6,444
Allowance for discounts .....	1,244	3,908	4,041	1,101
Reserve for inventories .....	6,312	4,425	3,785	6,942

**NOTE:**

(a) Accounts charged off net of recoveries.

**Year Ended December 31, 1978**

**(Dollars in Thousands)**

Description	Balance at January 1, 1978	Charged to Costs and Expenses	Deductions	Balance at December 31, 1978
Deducted from Accounts Receivable — Trade:				
Allowance for doubtful accounts .....	\$3,902	\$4,923	\$3,197(a)	\$4,908
Allowance for discounts .....	734	4,373	3,983	1,244
Reserve for inventories .....	5,719	5,397	4,784	6,312

**NOTE:**

(a) Accounts charged off net of recoveries.

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**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D. C. 20549**

**MAR 31 1977**

**REPORTS**

**EXCHANGES**

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**EXHIBITS**

**to**

**Form 10-K**

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**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 1976**

**Commission file number 1-5026**

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**GAF Corporation**

*(Exact name of registrant as specified in its charter)*

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**GAF Corporation****Executive Incentive Compensation Plan**

As Amended through December 14, 1976

**I. PURPOSE OF THE PLAN**

1. The purposes of the Executive Incentive Compensation Plan are:

(a) To provide incentive to key executives to contribute materially to the success of the Company and its subsidiaries by their invention, ability, industry, loyalty, and exceptional service by making them participants in that success. The term "Company" as used herein shall mean and include GAF Corporation and its subsidiaries.

(b) To retain valuable key executives by providing incentive to remain in the service of the Company.

(c) To attract new personnel of high caliber to the Company through opportunity for additional compensation.

2. To achieve these purposes the Plan provides for the establishment of an Executive Incentive Compensation Fund, the amount of which is dependent upon the profits realized by the Company. From this Fund two forms of awards may be made:

(a) *Executive Incentive Compensation Awards*

Executive Incentive Compensation Awards may be granted to those who have contributed most to the Company's success by their ability, efficiency and loyalty.

(b) *Special Awards*

Special Awards may be granted for outstanding service of any nature, such as inventions, unusually ingenious solutions to business or technical problems, and accomplishments by an employee of a character beyond that which might normally be expected of one occupying his position.

**II. ESTABLISHMENT OF THE EXECUTIVE INCENTIVE COMPENSATION FUND**

1. During each calendar year, the Board of Directors may, in its discretion, fix an amount, or standards for determining an amount, which shall be credited to the Executive Incentive Compensation Fund for such calendar year, provided that the amount to be credited shall not be greater than the following: an amount equal to 6% of the excess (if any) of adjusted income over 6% of an amount equal to the value of the shareholders' equity at the beginning of the year for which the computation is being made. Adjusted income shall be defined for this purpose as income before extraordinary items plus foreign, Federal, state and municipal income taxes and charge equivalent to investment tax credit plus the amount of Executive Incentive Compensation charged to cost and expenses during the calendar year. The above amounts and shareholders' equity shall be as reported in the consolidated financial statements of the Company certified by the outside auditors of the Company. Executive Incentive Compensation Fund shall mean that portion of the general corporate funds which is available for payment to employees in accordance with this Plan.

2. A percentage of the amount to be credited to the Executive Incentive Compensation Fund for each calendar year shall be used for Special Awards to such key executives as the Board of Directors may direct. The percentage for any calendar year shall be determined by the Board of Directors prior to the close of such calendar year and shall not be less than 5% nor more than 15% of the amount to be credited to the Executive Incentive Compensation Fund. The remaining percentage of the amount credited to the Fund shall be used for Executive Incentive Compensation Awards.

### III. ELIGIBILITY

1. An employee shall be eligible for consideration for an Executive Incentive Compensation Award if he was a full-time active employee in an established upper level position for at least the last six months of the year for which Executive Incentive Compensation is awarded and is not eligible for any sales bonus incentive award. An employee who dies, becomes disabled or retires during the year for which Executive Incentive Compensation is awarded shall nevertheless be eligible for consideration for an Executive Incentive Compensation Award if he was a full-time active employee in an established upper level position for at least six months immediately preceding his death, disablement or retirement and was not eligible for any sales bonus incentive award. All employees, including employees who die, become disabled or retire during the year, are eligible for consideration for a Special Award.

2. The term "employee" shall include persons employed by the Company, including employees who are also officers and/or Directors of GAF Corporation or of any of its subsidiaries. Directors who are not employees are not eligible for participation.

3. After the Board of Directors has fixed the amount, or the standards for determining the amount, to be credited to the Executive Incentive Compensation Fund for any calendar year, the Company shall notify, either individually or as a group, employees eligible for consideration for an Executive Incentive Compensation Award or a Special Award that the Board of Directors has so fixed such amount or the standards for determining such amount.

### IV. AWARDS TO PARTICIPANTS

1. Executive Incentive Compensation Awards and Special Awards for any calendar year shall be granted by the Board of Directors as soon as practicable after the close of such calendar year.

2. The President shall furnish to the Executive Compensation Committee of the Board each year his recommendations as to the officers and employees other than himself deserving Executive Incentive Compensation Awards and Special Awards, together with the amounts recommended. Such recommendations shall be based upon a complete review of individual performance. The Executive Compensation Committee shall thereupon make recommendations to the Board with respect to any eligible employee. The Board shall consider the recommendations of the Executive Compensation Committee in making the awards. No employee who is also a member of the Board of Directors shall participate in any deliberations or decisions of the Board of Directors concerning consideration of an award or payment under this Plan to himself.

3. Special Awards shall be payable in full as soon as practicable after the close of the calendar year for which the award is granted.

#### 4. *Executive Incentive Compensation Awards*

(a) The Executive Compensation Committee may recommend that any Executive Incentive Award for any year to any participant be payable either in cash or in full Shares of Common Stock of the Company (hereinafter referred to as "Shares"), or partly in cash and partly in full Shares. The Executive Compensation Committee may also recommend that any Executive Incentive Award in Shares be payable in Restricted Shares, Shares of authorized but unissued stock or Shares acquired by the Company and held in its treasury may be distributed in payment of any Executive Incentive Award which is payable in whole or in part in Shares. The number of full Shares to be included in any Executive Incentive Award shall be determined by reference to the closing price of Shares on the New York Stock Exchange on the last trading day on which Shares were traded preceding the date an award is made. The Executive Incentive Compensation Fund



shall be charged as of the date of the award with the value so determined of all Shares included in any Executive Incentive Award. The number of Shares awarded to a participant but not issued to him shall, until so issued, be adjusted to give effect to the extent practicable to any increase or decrease in the number of issued and outstanding Shares resulting from a subdivision or combination of Shares, a dividend payable in Shares, a reclassification of Shares, a stock-split, a merger or consolidation, or any other change in the capital structure of the Company or its Shares. Any expenditure of funds required to acquire Shares to make any such adjustment shall be charged to the Fund as shall an expenditure of funds required to acquire Shares after the date of an Award which are to be distributed in payment of any Executive Incentive Award if the cost of acquisition of such Shares is in excess of the value of the Shares included in the Award and charged to the Fund.

(b) Any Executive Incentive Award for any year shall be paid promptly after the Award is made. Any award in Restricted Shares shall be made by the delivery of one or more stock certificates on which there shall be imprinted a legend stating in substance that the shares represented by such certificate are subject to the restrictions that they may not be sold, assigned, transferred or otherwise disposed of, except by will or the laws of descent and distribution, or pledged or hypothecated as collateral for a loan or as security for the performance of an obligation or for any other purpose without the prior written consent of the Executive Compensation Committee of the Board of Directors of the Company (such consent to be granted only in cases of hardship), and that such restrictions shall continue in effect as to all such shares during the entire period of such executive's employment with the Company and thereafter, provided, however, that commencing on the second day of January following termination of such employment for whatever cause, the restrictions with respect to the shares represented by such certificate shall lapse at such annual rate or rates as may be determined by the Board of Directors and set forth in said legend. Shares of Stock delivered under the Plan shall be issued in the participant's name or, at his request, in the name of his nominee.

(c) There shall be deducted from all payments of Executive Incentive Compensation Awards any taxes required to be withheld by the Federal government or by any state or local government and the amount thereof shall be paid to such government in respect of any such payment. In the case of payments made in Shares, the Company shall have the right to reduce such payment by the number of Shares sufficient to provide the amount of tax required to be withheld in respect of such payment. In lieu of such reduction, however, the Company may permit the participant to pay or reimburse the Company for any taxes required to be withheld in respect of such payment.

(d) By acceptance of any Executive Incentive Award the participant agrees that amounts of cash, Shares or dividend equivalents awarded or paid shall not be considered as compensation to the participant in computing retirement annuities, or in computing group life insurance coverage or other benefits of the Company.

*(e) Crediting and Payment of Dividend Equivalents*

(1) In addition to any amounts which may have been awarded from the Executive Incentive Compensation Fund, there shall be credited to each participant to whom Shares have been awarded but not delivered an amount equivalent to the cash dividends which would have been payable with respect to such Shares if they had been delivered to the participant and were outstanding on and after the date of the award. Such dividend equivalents shall be credited, until the Shares are delivered in settlement of the Executive Incentive Award, on the dividend payment dates applicable to such Shares.

(2) The cumulative amount of dividend equivalent credits made under Section IV 4(e)(1) of the Plan applicable to any Shares included in any installment payment shall be payable at the time of payment of such installment.

(3) The aggregate amount of dividend equivalent credits shall be charged to the income of the Company at the time such credits shall be made, and shall be in addition to any amounts that may be credited to the Fund under this Plan. Any dividend equivalent contingently credited to any award or portion thereof which is forfeited shall be credited to the income of the Company at the time of forfeiture.

#### V. FORFEITURE PROVISION

1. If a participant's service with the Company terminates for a reason other than death, disability, or retirement,

(a) he shall forfeit any consideration for an Executive Incentive Compensation Award for the year in which his service terminates, and

(b) any Executive Incentive Compensation Award granted to him, but then unpaid shall be forfeited, provided, however, that the Board of Directors in its sole discretion may determine to pay all or any part of any such unpaid award.

2. In the event of the forfeiture of one or more Executive Incentive Compensation Awards, or any portions thereof, the amount of the awards forfeited shall be credited to the Executive Incentive Compensation Fund. As promptly as practicable thereafter, the Board of Directors, in accordance with the procedures set forth in Section IV, shall grant further Executive Incentive Compensation Awards in an amount equal to the amount so forfeited and credited, to employees who were eligible to receive Executive Incentive Compensation Awards for the year as to which the forfeited awards were made. If any portion of a forfeited award was payable in Shares, the amount to be credited to the Executive Incentive Compensation Fund shall be an amount equal to the value of the forfeited Shares which was charged to the Executive Incentive Compensation Fund as of the date of the award.

#### VI. DEATH OF PARTICIPANT

If a participant dies, his unpaid and undelivered Executive Incentive Compensation Awards or Special Awards or any part thereof, shall be paid and delivered to his legal representative in such manner as the Board of Directors may decide.

#### VII. AMENDMENTS TO PLAN

The Board of Directors shall have the right to modify this Plan from time to time, or to repeal the Plan entirely, or to discontinue the granting of awards either temporarily or permanently; provided, however, that no modification of this Plan shall, without approval of the stockholders, increase the maximum amount calculable under Section II hereof.

#### VIII. ADMINISTRATION AND INTERPRETATION

1. No individual officer or employee of the Company shall have any right to participate in this Plan or to remain in the employ of the Company; no individual officer or employee shall have any claim — legal, equitable or otherwise — to receive any award under this Plan; and no director, officer or employee shall have any authority to enter into any agreement with any person for any award or payment under this Plan, or to make any representation or warranty with respect thereto; provided, however, that, once the amount, or the standards for determining the amount, to be credited to the Executive Incentive Compensation Fund for any year have been determined by the Board of Directors, the foregoing provisions shall in no way be construed to abrogate or limit the obligation of the Company, which is absolute, to make awards under this Plan for such year to eligible employees to the full extent of the amount so determined.

2. Full power and authority to administer, construe, and interpret this Plan shall be vested in the Board of Directors. Decisions of the Board shall be final, conclusive, and binding upon all parties, including the Company and the employees.

3. The Board of Directors may delegate authority to administer the Plan to the Executive Compensation Committee provided that no member of the Compensation Committee shall be eligible for an award while he is serving on the committee.

4. All Executive Incentive Compensation Awards to participants, whether in cash or in Shares, and all credits to participants of dividend equivalents, shall not be assignable or transferable either voluntarily or by operation of law and shall not be subject to pledge, attachment, execution or other similar process.

5. No participant or other person shall have under any circumstances any interest whatever, vested or contingent in any particular property or asset of the Company or in any particular Share or Shares that may be held in the treasury of the Company pursuant to Section IV by virtue of any Executive Incentive Compensation Award.

6. Except as herein otherwise provided, an award to a participant in Shares shall not entitle such participant to any rights of a stockholder with regard to such Shares, unless and until such Shares are delivered to him.

#### IX. LIABILITY

No member of the Board of Directors, the Executive Compensation Committee or officers or employees of the Company shall be personally liable for any act or omission taken in good faith in connection with this Plan.

**GAF Corporation**  
**1975 STOCK OPTION PLAN**

**1. Purpose**

The purpose of this Plan is to further the growth and development of GAF Corporation (the "Corporation") by encouraging key employees of the Corporation and its subsidiaries to invest in shares of the Corporation's Common Stock, by providing increased incentives for said employees to promote the well-being of the Corporation, and by facilitating the efforts of the Corporation to secure and retain employees of outstanding ability.

It is intended that every option under the Plan shall be either a qualified stock option within the meaning of Section 422 of the Internal Revenue Code of 1954, as the same may be amended from time to time (the "Code") (a "qualified option"), or an option which is not a qualified stock option (a "non-qualified option").

**2. Administration**

The Plan shall be administered by a Stock Option Committee (the "Committee") of three or more members, appointed by the Board of Directors of the Corporation from those of its members who, as a result of either express waiver or not being qualified, are not and have not at any time within the twelve-month period preceding such appointment been eligible to receive options under the Plan.

The Committee is authorized, subject to the provisions of the Plan, to adopt, amend and rescind such rules and regulations as it may deem appropriate for the administration of the Plan, and to make determinations and interpretations which it deems consistent with the Plan's provisions. The Committee's determinations and interpretations shall be final and conclusive.

**3. Eligibility**

Key employees of the Corporation or its subsidiaries, including key employees who are officers or members of the Board of Directors of the Corporation, shall be eligible to receive options under the Plan. Neither members of the Board of Directors of the Corporation or a subsidiary of the Corporation who are not employees thereof nor persons who are then serving as members of the Committee shall be eligible to receive options under the Plan. Any person may be granted additional options, or may relinquish an option or options and be granted one or more other options, including options exercisable at prices lower than those of the relinquished options, as the Committee may determine. For the purposes of the Plan, the term "subsidiary" shall have the meaning ascribed to it by Section 425(f) of the Code.

**4. Shares Subject to Option**

Subject to Section 13 of the Plan, the shares to be optioned under the Plan shall be shares of the Corporation's Common Stock, and may be authorized but unissued

shares or shares issued and reacquired by the Corporation or treasury shares, as the Committee may from time to time determine.

The aggregate number of shares for which options may be granted under the Plan shall be 800,000 shares, subject to adjustment under Section 13 of the Plan.

Shares subject to and not delivered under an option which expires, terminates or is relinquished pursuant to Section 8 of the Plan during the term of the Plan shall again be available for option under the Plan. If all or any portion of a non-qualified option is surrendered pursuant to Section 12 of the Plan, the shares covered thereby shall not thereafter be available for the granting of other options under the Plan.

#### **5. *Granting of Options***

Subject to the provisions of the Plan, the Committee shall have plenary authority in its discretion to determine those eligible employees to whom options shall be granted and in each case the number of shares to be subject to such option, the date on which it is to be granted, the period during which it may be exercised, the option price at which shares covered thereby may be purchased (subject, however, to Section 6 of the Plan), whether it is to be designated a qualified option or a non-qualified option, and the other terms thereof.

Each option shall be evidenced by a written agreement containing terms and conditions established by the Committee and consistent with the provisions of the Plan. The terms and conditions of options may differ. If the Committee grants options designated as qualified options, such agreement is intended to contain such terms and provisions as may in its judgment be necessary to render them qualified stock options within the meaning of the applicable provisions of the Code.

#### **6. *Option Price***

The price at which a share may be purchased under each option shall not be less than 100% of the fair market value of such share on the date on which the option is granted or less than the par value of such share.

#### **7. *Exercise of Options***

Options granted under the Plan may be exercised only by written notice to the Corporation in accordance with terms established by the Committee. All rights to exercise an option designated a qualified option shall expire not later than five years from the date on which the option is granted, and all rights to exercise an option designated a non-qualified option shall expire no later than ten years from the date on which the option is granted.

The option price at which shares may be purchased shall be paid in full at the time of exercise, and no shares shall be delivered until full payment is made. No adjustment shall be made for cash dividends or other rights the record date for which precedes the date of such delivery.

An employee to whom an option is granted shall not be deemed the holder of any shares subject to the option or have any rights of a stockholder with respect thereto until the shares are delivered to him.

#### **8. *Non-Transferability of Options***

Options granted under the Plan may not be transferred except by will or by the laws of descent and distribution. Options may not be otherwise assigned, transferred,

pledged, hypothecated or disposed of in any way (by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. During the lifetime of the employee to whom an option is granted, the option may be exercised only by him.

#### **9. Termination of Employment**

An employee to whom an option is granted may, at any time within three months after the date of termination of his employment with the Corporation and its subsidiaries for any reason except death, but not later than the date of expiration of the option, exercise the option to the extent he was entitled to do so on the date of termination. Any option or portions of options of terminated employees not so exercised shall terminate. However, an option shall not be affected by any change in the duties or position of the employee (including transfer to or from a subsidiary) so long as he continues in the employ of the Corporation or one of its subsidiaries.

Nothing in the Plan or in the agreement evidencing any option granted under the Plan shall confer on any employee any right to continue in the employ of the Corporation or its subsidiaries; affect the right of the Corporation or its subsidiaries to terminate his employment at any time; or be deemed a waiver or modification of any provision contained in any agreement between the employee and the Corporation or any such subsidiary. The agreements evidencing options granted under the Plan may contain such provisions as the Committee shall approve with reference to the effect of approved leaves of absence.

#### **10. Exercise by Representative, etc.**

If an employee to whom an option is granted dies while in the employ of the Corporation or its subsidiaries or within three months after termination of employment, the person or persons to whom the option is transferred by will or the laws of descent and distribution may, at any time within one year after the date of death but not later than the date of expiration of the option, exercise the option to the extent the employee was entitled to do so on the date of death or termination of employment, whichever was earlier. Any option or portions of options of deceased employees not so exercised shall terminate.

#### **11. Term of Plan**

Subject to Section 14 of the Plan, options may be granted under the Plan at any time up to February 12, 1985, which is ten years after the date of approval of the Plan by the Board of Directors.

#### **12. Surrender of Options**

The Committee may, under such terms and conditions as it deems appropriate, accept the surrender of the right to exercise any then-exercisable portion of any non-qualified option and authorize a payment in consideration therefor of an amount equal to the difference obtained by subtracting the aggregate option price of the number of shares subject to the option or portion thereof so surrendered from the aggregate fair market value of such number of shares on the date of such surrender. Such payment may be made in shares of the Corporation's Common Stock valued at fair market value on the date of such surrender, or in cash, or partly in such shares and partly in cash, as the Committee may in its discretion determine in each case, provided that the Committee determines that such settlement is consistent with the purposes set forth in Section 1 of the Plan.

#### **14. *Changes in Common Stock***

In the event of any reorganization, recapitalization, stock split, stock dividend, merger, consolidation, combination of shares or other change affecting the Corporation's Common Stock, the Committee may make, subject to approval of the Board of Directors, such changes as it may deem appropriate in the number and kind of securities to be subject to option under the Plan and in the number, price and kind of securities covered by options granted under the Plan. The agreements evidencing options granted under the Plan shall contain such provisions with respect to such changes as the Committee may from time to time deem appropriate. The Plan shall not affect the right of the Corporation or any of its subsidiaries to reclassify, recapitalize or otherwise change its capital or debt structure or to merge, consolidate, convey any or all of its assets, dissolve, or liquidate, wind up or otherwise reorganize.

#### **14. *Amendment or Discontinuance***

The Board of Directors may from time to time alter or suspend or at any time discontinue the Plan, but may not, without the consent of the holder of the option (except as provided in Section 13 of the Plan), make any alteration which would affect an option previously granted or, without the approval of the stockholders of the Corporation, make any alteration which would (except as provided in Section 13 of the Plan) (a) increase the aggregate number of shares for which options may be granted; (b) decrease the minimum option price; (c) make persons serving as members of the Committee eligible to receive options under the Plan; or (d) extend the term of the Plan or the maximum period during which any option may be exercised.

#### **15. *Liability***

No member of the Board of Directors or the Committee and no officer or employee of the Corporation shall be personally liable for any act taken or omission made in good faith in connection with the Plan.

#### **16. *Effective Date***

The Plan shall become effective on the date on which it is approved by the affirmative vote of the holders of a majority of the shares of the Corporation present in person or represented by proxy, and entitled to vote at a Meeting of Stockholders of the Corporation.

**EXHIBIT B(3)**



DEED OF SURETY AND GUARANTEE

The undersigned GAF CORPORATION, 140 West 51 Street, New York, New York 10020, USA, states to be aware of the terms and conditions of the Loan Agreement, dated November 21, 1975, in virtue of which the ALGEMENE SPAAR-EN LIJFRENTKAS and the NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIJVERHEID have granted, each for one half and without any interdependence a loan in the total amount of ONE HUNDRED THIRTY SIX MILLION BELGIAN FRANCS to GAF (Belgium) N.V., Industriepark 1, Sint-Niklaas.

The undersigned confirms herewith its full agreement with the terms, provisions and modalities of the said loans, amounting together to ONE HUNDRED THIRTY SIX MILLION BELGIAN FRANCS and declares to guarantee both up to the amount of ONE HUNDRED THIRTY SIX MILLION BELGIAN FRANCS in principal, together with the interests and accessory costs related to the said amount.

Up to the afore-said amount of ONE HUNDRED THIRTY SIX MILLION BELGIAN FRANCS in principal, the present deed of guaranty also holds as surety for the promissory notes in the total amount of ONE HUNDRED THIRTY SIX MILLION BELGIAN FRANCS, due on the following dates:

- promissory notes in the total amount of F 70.000.000, - on July 5 of each of the years 1978 up to and including 1987;
- promissory notes in the total amount of F 65.000.000, - on January 5 of each of the years 1978 up to and including 1987,

and signed according to the above-mentioned agreement by GAF (Belgium) N.V. to the order of the ALGEMENE SPAAR-EN LIJFRENTKAS and to the order of the NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIJVERHEID in representation of the above-mentioned transaction as well as of any renewal of these promissory notes.

The undersigned undertakes to sign these promissory notes for guarantee, upon the first request of the ALGEMENE SPAAR-EN LIJFRENTKAS or of the NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIJVERHEID, this guarantee being given to the benefit of each holder of these promissory notes.

The guarantor expressly waives for himself as well as for his heirs and legal successors, the right of eviction and debt splitting and the benefit of article 2037 of the Belgian Civil Code; the obligations of the undersigned are indivisible, with the farthest-reaching consequences of indivisibility.

The undersigned recognizes that whenever the ALGEMENE SPAAR-EN LIJFRENTKAS and the NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIJVERHEID may require the anticipated repayment of their claims from GAF (Belgium) N.V., Sint-Niklaas, they have the same right with respect to the guarantor.

Subrogation in favour of the guarantor who made a partial repayment of the ALGEMENE SPAAR-EN LIJFRENTKAS' and the NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIJVERHEID's claims may never be prejudicial to the said Nationale Maatschappij and Algemene Kas; in such a case, the latter may, in accordance with the stipulations of article 1252 of the Belgian Civil Code, exercise their rights for the amount still due to them by priority over the party from which they received payment of a portion of their claims.

With regard to the guarantees which are provided in favour of the ALGEMENE SPAAR-EN LIJFRENTKAS and of the NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIJVERHEID, the undersigned undertakes not to exercise any claim or recourse neither against the company, which is the main debtor of the credit, nor against any other debtors or guarantors for any payments which the undersigned may have done on account of this guarantee, as long as the claims of the ALGEMENE SPAAR-EN LIJFRENTKAS and of the NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIJVERHEID have not been entirely repaid in principal, interests, costs and ancillary expenses.

The undersigned dispenses the ALGEMENE SPAAR-EN LIJFRENTENKAS and the NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIJVERHEID and, generally, any holder from protesting the promissory notes mentioned above and dispenses them also from any formalities whatsoever, including the advice of non-payment as provided by articles 45 and 77 of the co-ordinated Belgian laws on drafts and promissory notes and renounces taking any action under the terms of the last paragraph of the said article 45 or any exceptions or means of forfeiture; the undersigned acknowledges that notwithstanding the non-fulfillment of legal formalities, the interests shall still be due just as if the formalities the holder has been released from had been fulfilled.

The holder is of course at liberty to exercise protest if he deems it necessary.

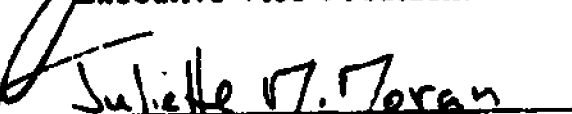
In derogation of articles 1253 and following of the Belgian Civil Code, the ALGEMENE SPAAR-EN LIJFRENTENKAS and the NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIJVERHEID have the right to indicate the promissory notes to which the payments effected by the undersigned will be applied, to effect partial appropriations on several promissory notes or to defer the appropriation until the due date of all promissory notes and even until the result of the exercising of any rights which the promissory notes give them.

The undersigned recognizes the competence of the Brussels courts and the sole applicability of Belgian law.

Done in New York, N. Y. on the  
27th day of February, 1976

GAF CORPORATION

By   
James T. Sherwin  
Executive Vice President

By   
Juliette M. Moran  
Executive Vice President

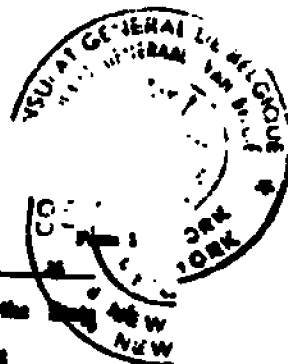
STATE OF NEW YORK )  
 ) ss:  
COUNTY OF NEW YORK )

On the 27th day of February, 1976, before me personally came JAMES T. SHERWIN and JULIETTE M. MORAN, to me known, who, being by me duly sworn, did depose and say that they reside at 271 Central Park West, New York, New York and 10 West 66th Street, New York, New York, respectively; that they are Executive Vice Presidents of GAF Corporation, the corporation described in and which executed the foregoing instrument; and that they signed their names thereto by order of the Board of Directors of said corporation.

[Notarial Seal]

*Donis V. Gallotta*  
Notary Public

DONIS V. GALLOTTA  
Notary Public  
No. 26415  
Commission Expires March 31, 1978



State of New York )  
County of New York, ss:

No. 26415

I, NORMAN GOODMAN, County Clerk and Clerk of the Supreme Court of the State of New York, in and for the County of New York, a Court of Record, having by law a seal,  
DO HEREBY CERTIFY pursuant to the Executive Law of the State of New York, that

*Donis V. Gallotta*  
whose name is subscribed to the annexed affidavit, deposition, certificate of acknowledgment or proof, was at the time of taking the same a NOTARY PUBLIC in and for the State of New York duly commissioned, sworn and qualified to act as such; that pursuant to law, a commission or a certificate of his official character, with his autograph signature has been filed in my office; that at the time of taking such proof, acknowledgment or oath, he was duly authorized to take the same; that I am well acquainted with the handwriting of such NOTARY PUBLIC or have compared the signature on the annexed instrument with his autograph signature deposited in my office, and I believe that such signature is genuine.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal this

FEE \$ AID \$1.00

*Norman Goodman*  
County Clerk and Clerk of the Supreme Court, New York County

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## O V E R E E K O M S T

### Quaestie :

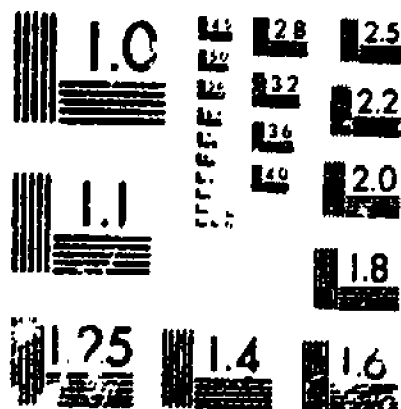
Ter eender zijde : de ~~ALGEMENE~~ SPAAR- EN LEEFSTELINGEN, opgericht onder de werpborg van de Staat bij de wet van 16 maart 1855, gevestigd te Brussel, Wolvengracht 48, hierna genoemd "Algemene Spaar", hier vertegenwoordigd, overeenkomstig artikel 13 van voormelde wet, gewijzigd bij het Koninklijk Besluit van 14 oktober 1937 en bij het Koninklijk Besluit nr. 40 van 25 mei 1937 door de Heer F. CLEEREN, Directeur, wonende te Schaarbeek, Druisallaan 109  
aan wie bevoegdheid is overgedragen door de Directeur-Generaal Luidens een publicatie van 6 mei 1974, bekendgemaakt bij uitbreukel in het Belgisch Staatsblad van 19 juli 1974

Ter tweeder zijde : de NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIJVERHEID, waarvan de maatschappelijke zetel gevestigd is te Brussel, Waterloostraat 16, handelsregister te Brussel nr 3003, hierna genoemd "Nationale Maatschappij", en vertegenwoordigd door

- de Heer Paul CALLEBAUT, voorzitter van de Nationale Maatschappij voor Krediet aan de Nijverheid, wonende te Brussel, Waterloostraat 16, 1190 Brussel ;
- de Heer Louis DEERLEERS, directeur, Brabantstraat 43, 1190 Brussel ;

handelend krachtens

Ter derder zijde : de Naamloze Vennootschap S A F (BELGIUM), opgericht bij akte dd. 13 mei 1953, bekendgemaakt in de Bijlagen tot het Belgisch Staatsblad van 30 mei 1953 onder nr 12.812 en waarvan de statuten voor het laatst gewijzigd werden bij akte van 13 november 1970, bekendgemaakt in de Bijlagen tot het Belgisch Staatsblad van 4 december 1970 onder nr 3172-2, waarvan de maatschappelijke zetel gevestigd is te



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# DISCLOSURE<sup>®</sup>

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St.-Viklaas, Industriepark 1, ingeschreven in het handelsregister te St.-Viklaas onder nr 28.345, hierna genoemd "de onderneming", hier vertegenwoordigd krachtens artikel 24 van de statuten door de Heer Frank Thomas CAMPAGNI, Zakeerder, wonende 13 Tyler Lane, Riverside, Connecticut 06878, U.S.A. en de Heer Georges L. BVL, Zakeerder Algemeen Directeur, wonende Avenue de la Ferme Rose 9bis, 1183 Brussel

Wordt overeengekomen wat volgt :

#### Artikel 1. - Bijdrag

De ALGEMENE KAS en de NATIONALE MAATSCHAPPIJ, handelend zonder solidariteit onder elkaar, staan aan de onderneming elk een krediet toe : de Algemene Kas een krediet groot F 63.000.000,- (ACHTENZESTIG MIJJOEN FRANK) en de Nationale Maatschappij een krediet groot F 63.000.000,- (ACHTENZESTIG MIJJOEN FRANK).

#### Artikel 2. - Modelkohier

Deze kredieten worden toegestaan en aanvaard onder de lasten, clausules en algemene voorwaarden vervat in het hierbijgevoegd modelkohier en zijn bijvoegsel, in zover er hierna niet wordt van afgeweken.

#### Artikel 3. - Doel

Overeenkomstig de door de onderneming verstrekte inlichtingen, zijn de kredieten samen met het globaal krediet van F 125.000.000,- toegestaan door de Algemene Kas en de Nationale Maatschappij op 15 oktober 1973 bestemd tot gedeeltelijke financiering van investeringen te St.-Viklaas voor een bedrag van F 545.438.000,-, zijnde :

- de aankoop van gronden .....	F 30.900.000,-
- de oprichting van gebouwen .....	F 256.350.000,-
- de aankoop van materieel .....	F 145.088.000,-
- inloop- verhuis- en studiekosten .....	F 43.100.000,-
	<hr/>
	F 545.438.000,-
	*****



Het detail der investeringen blijkt uit de door de onderneming medegedeelde inlichtingen. Deze inlichtingen berusten in het dossier van de Algemene Kas en de Nationale Maatschappij.

Artikel 4. - Opname van het krediet toegestaan door de Algemene Kas

Het door de Algemene Kas toegestane krediet zal opgenomen worden door afgifte van orderbriefjes. Deze orderbriefjes zullen door de onderneming ondertekend worden aan order van de Algemene Kas of volgens iedere andere modaliteit door de Algemene Kas aanvaard.

Het opnemingsprogramma voorziet dat het krediet als volgt zal opgenomen worden :

F 35.000.000,- op 6 juli 1976  
F 33.000.000,- op 6 januari 1977.

Van bovenstaand opnemingsprogramma zal niet mogen afgeweken worden zonder het akkoord van de Algemene Kas.

De onderneming zal 10 orderbriefjes van F 3.500.000,- en 10 orderbriefjes van F 3.300.000,- ondertekenen. Deze orderbriefjes zullen respectievelijk vervallen als volgt :

1e tranche van F 35.000.000,- :

F 3.500.000,- op 6 juli van ieder der jaren 1976 tot en met 1987 ;

2e tranche van F 33.000.000,- :

F 3.300.000,- op 6 januari van ieder der jaren 1976 tot en met 1987.

...

De interesten voor de beide tranches zullen berekend worden tegen de rentevoet die op 1 januari 1976 door de Algemene Kas zal worden toegepast voor gelijkaar kredieten. De interesten zijn semesterwies en bij verschenen termijn betaalbaar op 5 juli en op 5 januari.

Een rentetoeelage van 4 % werd door de Staat toegekend op grond van de wet van 30 december 1970, gedurende vier jaar te rekenen vanaf de datum van de eerste opneming op iedere krediettranche. De rentetoeelage wordt berekend overeenkomstig een theoretisch aflossingsprogramma van 10 gelijke jaarlijkse delgingen, de eerste vervallend één jaar na de eerste geldopneming op iedere krediettranche.

Vanaf 6 juli 1980 zal de rentevoet worden vervangen door degeus die op 6 april 1980 door de Algemene Kas zal worden toegepast voor gelijkaardige kredieten met een duur die gelijk is aan de aanvankelijke duur van het saidig krediet.

De rentevoet zal niet worden gewijzigd wanneer de onderneming geen groter verschil dan 0,25 % 's jaars tot revalr heeft. Op 5 juli 1981, 1985 en 1985 zal de onderneming het recht hebben het kredietsaldo terug te betalen, mits de Algemene Kas hiervan vijfden dagen tevoren verwittigd en naar een verpoeiding van een maand interest betaald wordt, tegen de rentevoet van kracht op het krediet op voornelde date en berekend op het verbruigd verbruiktbedrag.

Artikel 5. - Oprekking van het krediet toestaan door de Nationale Maatschappij

Het door de Nationale Maatschappij toegestane krediet zal opgenomen worden door afgifte van orderbriefjes. Deze orderbriefjes zullen door de onderneming ondertekend worden aan order van de Nationale Maatschappij of volgens iedere andere modaliteit door de Nationale Maatschappij aanvaard.

Het opnemingsprogramma voorziet dat het krediet als volgt zal opgenomen worden  
 F 35.000.000,- op 6 juli 1976  
 F 33.000.000,- op 6 januari 1977.

Van bovenstaand opnemingsprogramma zal niet mogen afgevoerd worden zonder het akkoord van de Nationale Maatschappij.

De onderneming zal 10 orderbriefjes van F 3.500.000,- en 10 orderbriefjes van F 3.300.000,- ondertekenen. Deze orderbriefjes zullen respectievelijk vervallen als volgt :

1e tranche ad F 35.000.000,- :

F 3.500.000,- op 5 juli van ieder der jaren 1978 tot en met 1987 ;

2e tranche ad F 33.000.000,- :

F 3.300.000,- op 5 januari van ieder der jaren 1978 tot en met 1987.

De interesten voor de beide tranches zullen berekend worden tegen de rentevoet die op 1 januari 1976 door de Nationale Maatschappij zal worden toegepast voor gelijkaardige kredieten de interesten zijn semesterieel en bij verschenen termijn betaalbaar op 5 juli en op 5 januari.

De rentatoelage van 4 % werd door de Staat toegekend op grond van de wet van 30 december 1970 gedurende vier jaar te rekenen vanaf de datum van de eerste opname op iedere krediettranche. De rentatoelage wordt berekend overeenkomstig een theoretisch aflossingsprogramma van 10 gelijke jaarlijkse delgingen, de eerste vervallend één jaar na de eerste geldopname op iedere krediettranche.

Vanaf 6 juli 1980 zal de rentevoet worden vervangen door degene die op 6 april 1980 door de Nationale Maatschappij zal worden toegepast voor gelijkwaardige kredieten met een duur die gelijk is aan de aanvankelijke duur van het huidige krediet.

De rentevoet zal niet worden gewijzigd wanneer de herziening geen groter verschil dan 0,25 % 's jaars tot gevolg heeft. Op 5 juli 1981, 1983 en 1985 zal de onderneming het recht hebben het kredietsaldo terug te betalen naar de Nationale Maatschappij hiervan vijftien dagen tevoren verwittigd en haar een vergoeding van zes maand interest betaald wordt tegen de rentevoet van kracht op het krediet op voormelde data en berekend op het vervroegd terugbetaald bedrag.

#### Artikel 6. - Waarborgen

Tot zekerheid van de terugbetaling in hoofdsom, interesten en bijbehoren van de kredieten toegestaan bij onderhavige overeenkomst, door de Algemene Kas en de Nationale Maatschappij, en tot zekerheid van de betaling der orderbriefjes, ondertekend of nog te ondertekenen in hoofde van huidige overeenkomst aan order van de Algemene Kas en de Nationale Maatschappij, of van hun eventuele hernieuwingen evenals tot zekerheid van het globaal krediet van F 125.000.000,- toegestaan door de Algemene Kas en de Nationale Maatschappij op 15 oktober 1973.

- A. 1) Verbindt de onderneming zich het hierna vermeld goed alsmede de goederen onroerend door bestemming, niet te vervreemden, in huur te geven of te bewaren met gelijk welk recht ten voordele van derden, zonder het voorsigzaam geschreven akkoord van de Algemene Kas en de Nationale Maatschappij. De voornoemde onroerende goederen zijn :

een perceel grond met de er op te richten gebouwen, gelegen in de Industriezone op de gemeenten Sint-Niklaas en Temse tussen de Zigenlostraat, Autosnelweg 33, Hooghamerstraat en de Spoorweg Mechelen-Ternauzen, groot 15 ha 48 a 69 ca, gekadastriseerd of het gewest saltie 0 nrs 1140, 1141, 1147, 1149, 1150, 1151, 1152, 1163, 1166, 1167, 1167/2, 1168, 1168/2, 1169, 1170, 1173, 1173/2, 1181/b deel, 1182/a, 1183, 1184/deel, 1192/deel, 1193/deel, 1194, 1195, 1196 en 1209/deel.

- 2) Verbindt de onderneming zich op eerste verzoek, hetzij van de Algemene Kas, hetzij van de Nationale Maatschappij, tot zekerheid van huidige kredieten en het globaal krediet van F 125.000.000,- toegestaan door de Algemene Kas en de Nationale Maatschappij op 15 oktober 1973 in het voordeel van de Algemene Kas en van de Nationale Maatschappij op voorzette onroerende goederen hypotheek te verlenen ten belope van samen F 261.000.000,- in hoofdsom, benevens interesten en bijbehoren.

De eventueel te nemen hypotheek moet in 1e rang komen.

Dese verbintenis moet gestaafd worden door een onherroepelijke notariële volmacht tot hypothekeren, in blanco en in brevet, ten belope van F 261.000.000,- in hoofdsom, volgens model hieraangehecht als aanhangsel A.

./..

Alvorens tot daadwerkelijke omzetting in hypotheek over te gaan, zullen de Algemene Kas en de Nationale Maatschappij GAF CORPORATION te New York, daarvan 15 dagen bij voorbaat in kennis stellen bij aangetekend schrijven.

B. Tot zekerheid van de terugbetaling in hoofdsom, interesten en bijbehoren van de kredieten toegestaan bij onderhavige overeenkomst, door de Algemene Kas en de Nationale Maatschappij, en tot zekerheid van de betaling der orderbriefjes, ondertekend of nog te ondertekenen in hoofde van huidige overeenkomst aan order van de Algemene Kas en de Nationale Maatschappij, of van hun eventuele hernieuwingen.

1) verbindt de onderneming zich haar handelsfonds niet te vervreemden, in huur te geven of te bezwaren met gelijk welk recht ten voordele van derden, zonder het voorafgaand geschreven akkoord van de Algemene Kas en de Nationale Maatschappij ;

2) verbindt de onderneming zich op het eerste verzoek, hetzij van de Algemene Kas, hetzij van de Nationale Maatschappij, tot zekerheid van huidige kredieten in het voordeel van de Algemene Kas en van de Nationale Maatschappij op haar handelsfonds, pand te verlenen ten belope van F 136.000.000,- in hoofdsom, benevens interesten en bijbehoren.

De eventuele inschrijving van het pand op het handelsfonds mag slechts worden voorafgegaan door de eventuele inschrijving op de handelszaak in eerste rang ten belope van F 125.000.000,- in hoofdsom, benevens interesten en bijbehoren ingevolge de notariële volmacht tot verpanding genomen tot zekerheid van het globale krediet van F 125.000.000,- ook toegestaan door de Algemene Kas en de Nationale Maatschappij op 15 oktober 1973. Deze verklaring moet gestaafd worden door een onherroepelijke notariële volmacht tot verpanding, in blanco en in brevet, ten belope van F 136.000.000,- in hoofdsom, volgens model hieraan gehecht als aanhangsel B.

Alvorens tot daadwerkelijke vestiging van het pand op de handelszaak over te gaan zullen de Algemene Kas en de Nationale Maatschappij GAF CORPORATION te New York daarvan vijftien dagen bij voorbaat in kennis stellen bij aangetekend schrijven.

C. GAF CORPORATION te New York (U.S.A.), N.Z. 140, West 51e Street zal haar aval en solidaire borgtocht voor F 136.000.000,- in hoofdsom, benevens interesten en bijbehoren aan de kredieten moeten verlenen. Dit aval zal bij afzonderlijke akte worden verstrekt volgens model hiernaangehecht als aanhangsel C.

#### Artikel 7.

- 1) Gelijktijdig met het gebruiken van de gelden voortkomend van de kredieten moet de onderneming zelf voor de financiering instaan ten belope van F. 109.948.000,- van het gedeelte van de investeringsuitgaven ad F 245.948.000,- voorzien voor 1975 en 1976 dat niet gedekt is door het nettooproeven van de huidige verrichting. De verantwoordingsstukken van de onderneming voorgelegd tot staving van de opnemingsaanvragen zullen slechts in aanmerking genomen worden voor 5 % van hun bedrag. Daarna moet de onderneming zelf instaan voor de financiering van het gedeelte ad F 102.490.000,- van de investeringsuitgaven voorzien voor 1977 en 1978 en dat niet gedekt wordt door het nettooproeven van de kredieten.
- 2) Bij afwijking van artikel 2 van het modelkruier wordt de opnemingsstermijn van het krediet ad F 136.000.000,- verlengd tot 31 januari 1977 en de kredietopeningsprovisie oevermatig bepaald op 0,50 % 's jaars.
- 3) De balans met exploitatie- en verlies- en winsttrekking van de GAF CORPORATION dient jaarlijks, 4 maanden na de afsluitdatum van het boekjaar, aan de Nationale Maatschappij ter inzage te worden overgelegd. Deze balans dient te worden goedgekeurd door een accountantskantoor met internationale standing.

./..

4) Een advies van een Amerikaans jurist, onafhankelijk van de onderneming en de borg, dient aan de Nationale Maatschappij te worden overgelegd ; hierin moet worden bevestigd dat :

- de door de borg ondertekende akte van solidaire borgstelling en aval niet strijdig is met de Amerikaanse wetgeving ;
- de statuten van de borg en de reeds door de borg aangegane verbintenissen hem toelaten voornoemde akte van solidaire borgstelling en aval te ondertekenen tot zekerheid van de verbintenis van de N.V. GAF (BELGIUM) te Sint-Niklaas, zoals blijkt uit de huidige overeenkomst van kredietopening ;
- de persoon of personen die voor de borg de akte van solidaire borgtocht en aval ondertekenen, hem geldig verbinden ;
- de door de borg ondertekende akte van solidaire borgtocht en aval beantwoordt en voldoet aan alle wettelijke vereisten ten einde een eventueel tussen te komen vonnis uit te voeren in Amerika.

5) De toekenning van de rentetoeelage werd door de Staat ondergeschikt gemaakt aan de voorwaarden vervat in het bijvoegsel bij het modelkohier en de volgende bijzondere voorwaarde :  
de tewerkstelling dient op 31 december 1978 minstens 1014 personen te bedragen waarvan minimum 15 gehandicapten.

./..



- 6) De aankoopakte van de grond moet de Nationale Maatschappij ter goedkeuring worden overgelegd ; zij mag geen clauses bevatten die de geldigheid van de overeengekomen garanties kunnen aantasten of in waarde verminderen.
- 7) De door de overheid goedgekeurde definitieve plannen en bestekken evenals de bouwvergunning dienen de Nationale Maatschappij ter goedkeuring worden overgelegd.
- 8) Fusies en opslorpingen gedaan door de oprichting of door GAP CORPORATION, New York zijn toegelaten zonder het voorafgaand gescreven akkoord van de Algemene Eas en de Nationale Maatschappij, indien als gevolg daarvan het geconsolideerd eigen vermogen van GAP CORPORATION niet beneden de \$ 250.000.000,- daalt.

Gedaan te Brussel, in drie exemplaren, op 21 november 1975

N.V. GAP (BELGIUM),

ALGEMEENE SPAAR- EN  
LIJFRENTZAS,

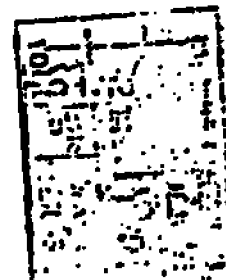
NATIONALE MAAT-  
SCHAPPIJ VOOR  
EREDIET AAN DE  
NIEVERHEID, N.V.

G.L.BYA  
Beheerder  
Algemeen  
Directeur

F. CLEEREN  
Directeur

G. DEBIE  
Directeur

*F.T. Campagna*  
F.T. CAMPAGNA  
Banco-447



**MODELKONIER DER ALGEMENE VOORWAARDEN  
BIJZONDEND VOOR DE KREDIETEN TOEGESTAAN DOOR  
DE NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIJVERHEID  
EN DE ALGEMENE SPAAR- EN LIJFRENTKAS**

In dit modelkonier wordt de Nationale Maatschappij voor Krediet aan de Nijverheid bij afkorting "Nationale Maatschappij" genoemd en de Algemene Spaar- en Lijfrentekas de "Algemene Kas", degene of degenen die het krediet hebben verkregen "onderneming", iedere beschikking over het krediet "opneming".

**ARTIKEL 1.**

**Opnemingen.** - De Nationale Maatschappij en de Algemene Kas kunnen iedere aanvraag tot opneming aanhangig houden totdat de algemene en bijzondere voorwaarden van het krediet vervuld zijn en, onder meer, totdat de formaliteiten zijn vervuld die nodig zijn opdat de verstrekte waarborgen tegenstelbaar zouden zijn aan derden en de overeengekomen rang bekleden.

De Nationale Maatschappij en de Algemene Kas mogen de opnemingen ondergeschikt maken aan het vertonen der stukken waaruit blijkt dat de gelden opgenomen worden teneinde het doel waarvoor het krediet werd toegestaan te verwezenlijken.

Indien de onderneming niet het ganse krediet opneemt, vervallen de laatste tranches van het aflossingsplan naarmate van het niet opgenomen gedeelte.

De onderneming moet het overeengekomen opnemingsplan in acht nemen en onderrichtingen geven betreffende de bestemming en de wijze van storten der gelden die te hare beschikking dienen gesteld.

**ARTIKEL 2.**

**Loof van het krediet.** - De Nationale Maatschappij en de Algemene Kas hebben het recht, door de uitdrukking van hun wil zelfs gegeven bij gewone brief, een opneming meer toe te laten na het verstrijken van negen maanden te rekenen vanaf de dag van het zenden door de Nationale Maatschappij en de Algemene Kas aan de onderneming van de toestemmingsbrief of van de kredietopeningsovereenkomst.

**Kredietopeningsprovisie.** - Indien het gehele bedrag van het krediet in opnemingen binnen de drie maanden vanaf die dag, is geen kredietopeningsprovisie verschuldigd.

Vanaf het verstrijken van die termijn van drie maanden is de onderneming aan kredietopeningsprovisie verschuldigd op het niet opgenomen deel van het krediet of op het volledige bedrag van het krediet indien geheel bedrag werd opgenomen. Die provisie wordt proportioneel berekend en in het vervallen termijn betaalbaar, uiterlijk op de einde van elk trimester.

1  
Het percentage van die provisie is vastgesteld op een half procent 's jaars van de vierde maand af tot en met de twaalfde maand en op drievierde procent 's jaars vanaf de dertiende maand, onverminderd het recht van de Nationale Maatschappij en de Algemene Kas het krediet te sluiten na afloop van de negende maand.

Vergoeding voor niet-gebruikmaking. - Ingeval van sluiting van het krediet, hetzij door verzaking, hetzij door toepassing van het recht verleend in de eerste alinea van dit artikel, hebben de Nationale Maatschappij en de Algemene Kas het recht van de onderneming, buiten de kredietopeningsprovisie, een vergoeding voor niet-gebruikmaking te vorderen die 's maanden rente bedraagt op het bedrag dat bij de sluiting nog niet is opgenomen. Die interesten worden berekend tegen de rentevoet toepasselijk op het krediet waarbij geen rekening wordt gehouden met de toelage, die, in voorkomend geval, door de Staat toegestaan zou zijn tot vermindering van de door de onderneming te dragen rentelast.

### ARTIKEL 3.

Ondertekening van orderbriefjes. - De opnemingen gebeuren tegen overhandiging van orderbriefjes waarvan de vervaldagen overeenstemmen met het overeengekomen aflossingsplan.

Deze orderbriefjes, zomede die welke in voorkomend geval, met instemming van de Nationale Maatschappij en de Algemene Kas ondertekend zouden worden bij wijze van gehele of gedeeltelijke hernieuwing van vroegere orderbriefjes, brengen geen schuldvernieuwing teweef.

De Nationale Maatschappij en de Algemene Kas worden er uitdrukkelijk van ontslagen zowel de orderbriefjes en dazer eventuele hernieuwingen te doen protesteren als zonder welk bericht te geven of formaliteit te vervullen.

eventueel kunnen de Nationale Maatschappij en de Algemene Kas andere modaliteiten voorzien voor de vertegenwoordiging van hun schuldvernieuwing.

### ARTIKEL 4.

Interessen. - De interesten zijn semestrieel en zij verrekkenen tot zijn betaalbaar; bij het berekenen dier interesten wordt verstaan dat elke maand dertig dagen telt.

Indien, om eender welke reden, een opneembare rente na de vervaldag vervalden wordt terugbetaald, blijft de interest lopen tot de dag van de werkelijke terugbetaling en welke van rechtswege, zonder aanmaning en onder voorbehoud van alle rechten en toelagen van de Nationale Maatschappij en de Algemene Kas.

11/7

Indien de rente op haar vervaldag niet wordt betaald, is aan de Nationale Maatschappij en de Algemene Kas van rechtswege en zonder aanmaning, voor het tijdperk waarvoor de rente conventioneel verschuldigd is, een rentesurplus verschuldigd van een half procent 's jaars berekend op het bedrag in hoofdsom van de schuldvordering dat als basis diende voor de berekening van deze interesten.

Indien een bedrag in hoofdsom op de vervaldag niet wordt terugbetaald, is aan de Nationale Maatschappij en de Algemene Kas eveneens, van rechtswege en zonder aanmaning, een rentesurplus verschuldigd van een half procent 's jaars berekend op het niet betaalde bedrag in hoofdsom en wel van de onbetaalde vervaldag af tot de dag der werkelijke terugbetaling.

De verhoging van de rentevoet met een half procent 's jaars is van rechtswege toepasselijk in geval van vervroegde opeisbaarheid van het saldo van het krediet en zulks vanaf de laatste vervaldag in interesten die de datum der onmiddellijke opeisbaarheid voorafgaat.

#### ARTIKEL 5.

Vervroegde terugbetalingen en wederbeleggingsvergoeding. - Volledige of gedeeltelijke vervroegde terugbetalingen zijn onderworpen aan de goedkeuring van de Nationale Maatschappij en de Algemene Kas. Zij zijn niet toegelaten tijdens de eerste vijf kredietjaren.

Vervroegde terugbetalingen worden bij voorrang aangewend ter aflossing van de verbintenissen waarvan de vervaldag het verat afgeleken is.

Een wederbeleggingsvergoeding is verschuldigd in geval van vervroegde terugbetaling; zij bedraagt zes maanden interest op de restorite som en wordt berekend tegen de in de laatste alinea van artikel 2 bedoelde rentevoet.

#### ARTIKEL 6.

Onmiddellijke opeisbaarheid. - De Nationale Maatschappij en de Algemene Kas hebben het recht, door eenvoudige kennisgeving van haar wil dienaangaande, zonder aanmaning noch eender welke gerechtelijke formaliteit, een einde te stellen aan het krediet en de onmiddellijke terugbetaling van haar schuldvordering te eisen alsook de bevrijding van al de door haar jegens de onderneming genomen verbintenissen, indien zij deze verbintenissen voortvloeden uit het krediet of uit andere verrichtingen, in de volgende gevallen:

- a) onjuiste inlichtingen door de onderneming verstrekt aan de Nationale Maatschappij, de Algemene Kas of aan haar afgevaardigden;
- b) niet-nakoming, door de onderneming, van een wettelijke of overeenkomstige verplichting met betrekking tot het krediet;

- c) bestemming of gebruikmaking van het krediet voor een ander doel dan dat waarvoor het verleend werd ;
- d) staking of wijziging van de bedrijvigheid, schorsing van betaling, kennelijk onvermogen, stelling onder sekwester, faillissement, aanvraag tot minnelijk of gerechtelijk akkoord of om uitstel van betaling van de onderneming ;
- e) indien, nadat de vereiste afschrijvingen vooraf zijn verricht, de opgehoopte verliezen van de onderneming vijftientig procent bereiken van haar eigen middelen (kapitaal en reserves) zoals die middelen voorkomen in de boekhouding van de onderneming ;
- f) protest van een handelseffect waarop de handtekening van de onderneming voorkomt ;
- g) indien de onderneming een vennootschap is : wijziging van het maatschappelijk doel, haar ontbinding om eender welke reden, fusie opslorping, ook gedeeltelijke, van of door een andere vennootschap, deelneming in het kapitaal van een andere vennootschap, zonder de instemming van de Nationale Maatschappij en de Algemene Kas ;  
indien de onderneming geen vennootschap is : overlijden, ontzetting, toevoeging van een gerechtelijk raadman of andere wettelijke onbekwaamheid van de persoon of van één of meer personen die het krediet hebben verkregen ;
- h) volledige of gedeeltelijke vervreemding van goederen met een hypotheek of pandrecht bezwaard ten voordele van de Nationale Maatschappij en de Algemene Kas of waarvoor te hunnen gunste een belofte tot hypotheek of inpandstelling werd aangegeven :  
een nieuwe bezwering van die goederen zonder de instemming van de Nationale Maatschappij en de Algemene Kas ; beschadiging of slecht onderhoud ervan, wijziging van hun aard of van hun bestemming, het feit wordende geacht voldoende te zijn vastgesteld door een gewoon getuigschrift van de afgevaardigde der Nationale Maatschappij en de Algemene Kas ; bevel, beslag of andere rechtsactie van een derde er toe strekkende de eigenaar dezer goederen uit te winnen, of nog proces-verbaal opgemaakt op grond van artikel 25, 3° van de wet van 16 december 1851 door een bouwkundige, aannemer of elke andere persoon door bedoeld artikel daartoe gemachtigd ;
- i) indien een mededebiteur of een borg zich bevindt in één van de gevallen bedoeld sub b), d), f) of g) hierboven.

Indien de onderneming over meerdere kredieten bij de Nationale Maatschappij en de Algemene Kas beschikt, hebben deze - wanneer zij zich op een clause van onmiddellijke opeisbaarheid beroept voor één krediet - het recht al de kredieten opeisbaar te stellen.

Indien het krediet opeisbaar is ten opzichte van de onderneming, is het eveneens opeisbaar ten opzichte van de mededebiteuren en van de borg.

Indien er verschillende begunstigten bestaan van het krediet, brengt de opeisbaarheid ten opzichte van één van hen, ook de opeisbaarheid mede ten opzichte van de anderen.

#### ARTIKEL 7.

Betaling. - Al de betalingen uit hoofde van het krediet te verrichten door de onderneming, een mededebiteur of een borg, zullen op hun kosten, vrij van alle afhoudingen, taksen en belastingen van eender welke aard, zowel reeds bestaande als later te heffen, worden gedaan ten maatschappelijke zetel van de Nationale Maatschappij en de Algemene Kas, of in de bijhuizen of agentschappen van de Nationale Bank van België. Indien de vervaldag een zaterdag, een zondag of een feestdag is, moet de betaling plaatshebben op de onmiddellijke voorgaande werkdag.

Zo er meerdere kredietbegunstigten zijn, wordt iedere betaling door één van hen verricht, ten opzichte van de Nationale Maatschappij en de Algemene Kas, geacht definitief gedaan te zijn voor rekening van allen en van eenieder voor zijn deel onder hen.

Geen enkele subrogatie in de rechten van de Nationale Maatschappij en de Algemene Kas kan in hun nadeel worden ingeroepen, noch door de borgen, zowel zakelijke als persoonlijke, noch door de mededebiteuren.

#### ARTIKEL 8.

Solidariteit, ondeelbaarheid. - De uit het krediet voortspuitende verbintenissen zijn solidair en ondeelbaar wat het kapitaal, de interesten en toebehoren betreft, met de meest uitgebreide uitwerkingen der ondeelbaarheid.

#### ARTIKEL 9.

Verzekering tegen brand. - De onderneming en ieder derde pandgever hebben de verplichting de goederen bezwaard met een hypotheek of pandrecht ten voordele van de Nationale Maatschappij en de Algemene Kas of waarvoor te hunnen gunste een belofte tot hypotheek of in pandstelling werd aangegeven, zoodat het materieel onroerend door bestemming en/of het materieel dienstig tot de exploitatie van de nijverheid en/of van de handel, gedurende ganz de duur van het krediet te laten verzekeren voor hun volle reconstructiewaarde, tegen de risico's van brand, blikseminslag, ontploffingen en noerr'orten van vliegtuigen.

De onderneming is gehouden, zodra een ramp deze goederen treft, de Nationale Maatschappij en de Algemene Kas onmiddellijk de lijkende van het geteisterd goed mede te delen, evenals de omstandigheden waarin de ramp zich heeft voorgedaan en de naam van de verzekeringsmaatschappij.

#### ARTIKEL 10.

Verhuur van goederen. - De goederen bezwaard met een hypotheek ten voordele van de Nationale Maatschappij en de Algemene Kas of waarvoor te hunnen gunste een belofte tot hypotheek werd aangegaan en die dienen tot de verwezenlijking van het doel der onderneming, mogen zonder de toestemming van de Nationale Maatschappij en de Algemene Kas op geen enkel ogenblik tijdens de duur van het krediet, worden verhuurd of het voorwerp uitmaken van een onderverhuur of van een afstand van huur.

Het verhuuren van de andere goederen die verhypothekeerd werden of waarvoor een belofte tot hypotheek werd aangegaan is toegelaten, maar de eigenaar mag, zonder het schriftelijk akkoord van de Nationale Maatschappij en de Algemene Kas, geen huur voor meer dan drie jaar toestaan noch een huur waarin de huurder een kleinhandel zou drijven of een bedrijf zou hebben dat hem rechtstreeks met het publiek in verbinding stelt. Hij mag in een afstand noch in een overdracht van huurgelden toestemmen, noch iets bedingen dat aan de rechten van de Nationale Maatschappij en de Algemene Kas kan schaden zoals bij voorbeeld het vooruitnemen van huurgelden voor een tijdperk dat meer dan één jaar bedraagt.

#### ARTIKEL 11.

Materieel. - Indien ze daartoe door de Nationale Maatschappij en de Algemene Kas verzocht wordt, verbindt de onderneming er zich toe aan de Nationale Maatschappij en de Algemene Kas de beknopte en behoorlijk ondertekende opgave te verstrekken van haar materieel, outillage, kantoorvoertuig en in het algemeen van al de roerende goederen die tot haar exploitatie dienstig zijn, en haar kennis te geven van elke belangrijke wijziging.

#### ARTIKEL 12.

Toezicht. - De Nationale Maatschappij en de Algemene Kas hebben het recht al de inlichtingen te vragen die zij nuttig achten voor de beoordeling van de toestand der activa en passiva van de onderneming en van de medelebiteuren zomede voor de controle op het krediet; zij mogen, op elk ogenblik, een onderzoek instellen naar de bedrijfs-toestand van de onderneming die haar boekhouding en al de andere bescheiden welke voor die doeleinden nuttig zijn, ter beschikking van de Nationale Maatschappij en de Algemene Kas of van hun afgevaardigden moet stellen, hierin begrepen elke verzekeringspolis.

De kosten van die onderzoeken vallen ten laste van de onderneming.

#### ARTIKEL 13.

11/7 Kosten. - Al de kosten, rechten en honoraria voortvloeiend uit het krediet, naamlijk: kosten van akten, van vervolging en rechtspleging, van schuldenverklaringen, van schuldenverklaringen, van vernieuwing van

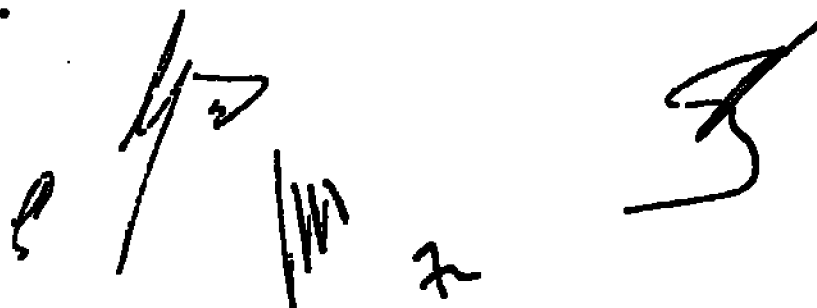
inschrijving, van opheffing en kwitantie, evenals alle andere kosten niet bijzonder gewaarborgd door voorrecht of hypotheek, zijn ten laste van de onderneming.

#### ARTIKEL 14.

Bevoegdheid. - Al de betwistingen behoren tot de bevoegdheid van de rechtbanken te Brussel.

#### ARTIKEL 15.

Afwijkingen. - Er kan afgeweken worden van bovenvermelde voorwaarden door de schikkingen opgenomen in de overeenkomst of in de briefwisseling.

Handwritten signatures and initials. From left to right: a small 'p', a large stylized signature, the initials 'M', a small 'z', and a large stylized signature.



BIJVOEGSEL BIJ HET KONINKLIJK BESLUIT VAN 1970  
GELDENDE VOOR DE FUNDATIE TOEGEKEND DOOR DE ALGEMENE SPAAR-  
EN LEENRENTENKAS EN DOOR DE NATIONALE MAATSCHAPPIJ VOOR KREDIET  
AAN DE NIJVERHEID N. V.

Bijzondere voorwaarden voortvloeiend uit de voorschriften van de wet van  
30 december 1970

**Artikel 1.** - Daar het krediet tot stand wordt gebracht met Staatswaarborg en/of met toekenning van een rentetoeelage, is de onderneming ertoe gehouden de verplichtingen na te leven die haar zijn voorgeschreven door de wet (of wetten), het of de koninklijke besluiten, in uitvoering waarvan de voordelen worden toegekend.

Ten einde de onderneming toe te laten de juiste draagwijdte van deze verplichtingen gemakkelijker te begrijpen, maar met afwijzing van iedere verantwoordelijkheid voor de Algemene Kas en de Nationale Maatschappij in geval van vergoetheid of verzuim, worden de verplichtingen en voorschriften voortvloeiend uit de wettelijke teksten hierna vermeld :

a/ de onderneming moet de gebouwen, uitrusting en materieel opgericht of aangekocht door middel van het toegekende krediet gebruiken overeenkomstig de voorziene doeleinden en voorwaarden tot na het verstrijken van een termijn van één jaar vanaf de laatste betaling van de interesten of tot na het verstrijken van een termijn van vier jaar vanaf de storting van elke geldelijke tussenkomst, toegekend door de Staat ;

b/ zij gaat de verbintenis aan voormelde gebouwen, uitrusting en materieel niet te vervreemden en de Minister van Economische Zaken of van Middenstand en, in voorkomend geval, de Minister van Financiën te verwittigen, zodra zij voorzien kan dat o. m. ingevolge overlijden, veiling, verdeling, onteigening, teruggang der economische voorwaarden of door overmacht, zij er zou kunnen toe gebracht worden bepaalde gebouwen, uitrusting en materieel te vervreemden of niet langer meer te kunnen gebruiken overeenkomstig de voorziene doeleinden en voorwaarden ;

c/ zij verbindt om zich toe de voorwaarden na te leven die gesteld zijn om de wet-  
telijke voordelen te kunnen genieten en die vereist zijn voor de toekenning van deze  
voordelen, zij verklaart dat al de door haar verstrekte inlichtingen juist zijn en dat  
zij een totale en volledige opgave heeft verstrekt van de activa en passiva toegekend  
aan haar patrimonium ;

d/ zij verbindt om zich toe de Algemene Kas, de Nationale Maatschappij en de  
toegeweide ministers op de hoogte te houden van de toestand van de onderneming en  
van haar identiteit, tevens zal de onderneming hun te allen tijde in kennis  
stellen de verandering van de lijn van belangstelling, zomede verantwoordelijkheid  
voor de besteding van het krediet volgens de voorgedeele doeleinden en van de uitvoering  
van het goedgekeurde investeringsprogramma, tevens zal de onderneming te allen  
tijde haar activiteiten te allen tijde bezichtigen door de afgevaardigden van de Staat  
toegeweide door de belastingautoriteiten en hun alle door de Staat toegekende  
voordelen, de Algemene Kas en de Nationale Maatschappij te allen tijde in kennis  
stellen de installatie te bezichtigen en alle nuttige inlichtingen te verstrekken.

er/ zij gaat er uitdrukkelijk mede akkoord dat de Algemene Kas en de Nationale Maatschappij aan de bevoegde ministers alle inlichtingen zouden verstrekken over haar activiteit, haar ontwikkeling, zomede over de verwesenlijking van het aankoop-programma van materieel of van het rationalisatieprogramma en dat aan de bevoegde ministers tevens alle onjuistheden of leemten in de door haar afgelegde verklaring zouden medegedeeld worden. Zij geeft zelfs aan de Algemene Kas en de Nationale Maatschappij de toelating om eventueel aan de ministers de redenen van de opzegging van het krediet bekend te maken ;

er/ in geval van Staatswaarborg, moet de onderneming aan de Algemene Kas en de Nationale Maatschappij kennis geven van elke verwerving van onroerende goederen en er ten bate van de Algemene Kas en de Nationale Maatschappij hypotheek in eerste rang op velen ten belope van een door deze laatste te bepalen bedrag.

Artikel 2. - De Algemene Kas en de Nationale Maatschappij zullen het recht hebben een einde te stellen aan de kredieten en de onmiddellijke betaling te eisen van al de orderbrieven indien de onderneming een der hierboven bedoelde beschikkingen niet naleeft of indien zij het voordeel van de Staatswaarborg zou verliezen. Deze laatste eventualiteit zal ten opzichte van de Algemene Kas en de Nationale Maatschappij vol-doende vastgesteld zijn door een verklaring van de Minister van Financiën, van de Minister van Economische Zaken of van de Minister van Middenstand.

De terugbetaling wordt gevorderd zonder aanmaning of om het even welke gerech-telijke formaliteit.

Artikel 3. - De rentetolage wordt niet meer toegepast op de sommen die opreis-baar zijn hetzij omdat de termijn verstreken is, hetzij krachtens een der clauses van vervroegde opreikbaarheid, doch niet betaald werden.

Artikel 4. - Wanneer er gelijktijdig Staatswaarborg is en borgstelling door een derde, wordt deze laatste, in zijn rechtverhouding tot de Staat, aangezien als hoofd-schuldenaar, solidair gehouden met de onderneming, derwijze dat deze derde tegen de Staat geen verhaal kan uitoefenen indien hij ertoe verplicht wordt in de plaats van de onderneming te betalen. De Staat zal daarentegen, indien hij de Algemene Kas en de Nationale Maatschappij terugbetaalt, tegen de borg voor het ganse bedrag verhaal mogen uitoefenen.

Artikel 5. - In uitvoering van de voorwaarden door de Staat gesteld voor het ver-len van de toelage en/of zijn waarborg, verbindt de onderneming er zich toe de Alge-mene Kas en de Nationale Maatschappij binnen de maand van de gebeurtenis op de toelage te houden van elke wijziging :

- i. haar directie, d. w. z. in hoofde van diegenen die haar dagelijks beheer verzekeren.
- ii. de samenstelling van haar raad van beheer.

Artikel 6. - Zoodra de onderneming te kort komt aan de wettelijke of contractuele ver-bintenissen die voortvloeien uit de toekenning der rentetolage, zal zij aan de Staat de belangen dienen terug te betalen, welke hij aan de Algemene Kas en aan de Nationale Maatschappij heeft gestort.

Artikel 7. - Een door de Staat getroffen beslissing aangaande de rentetolage, mag geen schaden aan de Algemene Kas of aan de Nationale Maatschappij. In alle gevallen is de onderneming aan de Algemene Kas en aan de Nationale Maatschappij het verschil verschuldigd tussen de contractuele interesten en de daadwerkelijk door de Staat gestorte toelage.

ONHERROEPBAAR MANDAAT TOT HYPOTHEEKVESTIGING

Ten jare

de

voor ons

te

, notaris met verblijfplaats  
, is verschenen :

de Naamloze Vennootschap G & F (BELGIUM), opgericht bij  
akte dd. 13 mei 1953, bekendgemaakt in de Bijlagen tot  
het Belgisch Staatsblad van 30 mei 1953 onder nummer 12.812,  
waarvan de maatschappelijke zetel gevestigd is te St-Niklaas  
Industriepark 1, hier vertegenwoordigd door :

handelend overeenkomstig artikelen 21 en 24 der statuten,  
benoemd

Welke comparante, vooraangaandelijk de aanstelling van man-  
datarisier hierna, heeft uiteengezet :

- 2
- 111
- dat zij kennis heeft genomen van de clausules en voor-  
waar ten van de overeenkomst van kredietopening afgesloten  
met de Algemene Spaar- en Lijfrentekas, hierna genoemd  
"Algemene Kas" en de N.V. Nationale Maatschappij voor  
Krediet aan de Nijverheid, hierna genoemd "Nationale  
Maatschappij", te Brussel, op 15 oktober 1973, waartegen  
de Algemene Kas haar een krediet toestaat groot  
F 62.500.000,- (TWEENZESTIG MILJOEN VIJFHONDERDUIZEND  
FRANK) en de Nationale Maatschappij haar een krediet toe-  
staat groot F 62.500.000,- (TWEENZESTIG MILJOEN VIJFHON-  
DERDUIZEND FRANK), tegen een rentevet van 7,90% 's jaars

./.

De interesten zijn semestrieel en bij verschenen termijn betaalbaar voor de verschillende tranches waarin het krediet onderverdeeld wordt, respectievelijk op 5 mei en 5 november en de kredieten zijn terugbetaalbaar als volgt :

1) Krediet toegestaan door de Algemene Kas :

Eerste tranche ad F 50.000.000,- :

a rate van F 5.000.000,- op 5 november van ieder der jaren 1976 tot en met 1985.

Tweede tranche ad F 12.500.000,- :

a rate van F 1.250.000,- op 5 mei van ieder der jaren 1976 tot en met 1985.

2) Krediet toegestaan door de Nationale Maatschappij :

Eerste tranche ad F 50.000.000,- :

a rate van F 5.000.000,- op 5 november van ieder der jaren 1976 tot en met 1985.

Tweede tranche ad F 12.500.000,- :

a rate van F 1.250.000,- op 5 mei van ieder der jaren 1976 tot en met 1985.

Aan deze overeenkomst waren gehecht een modelkohier der algemene voorwaarden en een bijvoegsel aan dit modelkohier : een behoorlijk gezegeld exemplaar van dat modelkohier en van zijn bijvoegsel zal aan huidige akte gehecht blijven.

- en dat zij kennis heeft genomen van de clausules en voorwaarden van de overeenkomst van kredietopening afgesloten met de Algemene Spaar- en Lijfrentekas, hierna genoemd "Algemene Kas" en de N.V. Nationale Maatschappij voor Krediet aan de Nijverheid, hierna genoemd "Nationale Maatschappij", te Brussel, op 21 november 1975 , waartegen de Algemene Kas haar een krediet toestaat groot F ... 68.000.000,- (ACHTENZESTIG MILJOEN FRANX) en de Nationale Maatschappij haar een krediet toestaat groot F 68.000.000,- (ACHTENZESTIG MILJOEN FRANX).

Beide kredieten worden gesplitst in een tranche 1. van F 35.000.000,- en een tranche 2. van F 33.000.000,-.

Voor de beide tranches zal de rentevoet worden toegepast van kracht op 1 januari 1976 bij de "Algemene Kas" en de "Nationale Maatschappij" voor gelijkaardige kredieten.

De interesten zijn semestrieel en bij verschenen termijn betaalbaar voor de verschillende tranches waarin het krediet onderverdeeld wordt, op 5 juli en op 5 januari en de kredieten zijn terugbetaalbaar als volgt :

1/ Krediet toegestaan door de "Algemene Kas"

Eerste tranche ad F 35.000.000,-

a rate van F 3.500.000,- op 5 juli van ieder van de jaren 1978 tot en met 1987 ;

Tweede tranche ad F 33.000.000,-

a rate van F 3.300.000,- op 5 januari van ieder van de jaren 1978 tot en met 1987.

2/ Krediet toegestaan door de "Nationale Maatschappij"

Eerste tranche ad F 35.000.000,-

a rate van F 3.500.000,- op 5 juli van ieder van de jaren 1978 tot en met 1987 ;

Tweede tranche ad F 33.000.000,-

a rate van F 3.300.000,- op 5 januari van ieder der jaren 1978 tot en met 1987.

Ann deze overeenkomst waren gehecht een modelkohier der Algemene voorwaarden en een bijvoegsel aan dit modelkohier, een behoorlijk gezegeld exemplaar van dat modelkohier en van zijn bijvoegsel zal aan huidige akte gehecht blijven.

De Algemene Kas en de Nationale Maatschappij hebben onder meer het toestaan van de kredieten ondergeschikt gemaakt aan de volgende voorwaarden :

1° dat de N.V. GAF (BELGIUM) aanvaardt op het eerste verzoek hetzij van de Algemene Kas, hetzij van de Nationale Maatschappij, hypotheek te verlenen tot zekerheid van de kredieten, der interesten en bijbehoren, zomede tot waarborg van de betaling van de aan order der Algemene Kas en Nationale Maatschappij ondertekende of nog te ondertekenen orderbriefjes of hunner eventuele hernieuwingen, in vertegenwoordiging van deze kredieten, op de haar toebehorende onroerende goederen hierna beschreven zomede op alle andere onroerende goederen inbegrepen de goederen onroerend door bestemming, waarvan de comparante zou eigenares zijn op het ogenblik van de uitvoering van huidig mandaat, en dat een onherroepelijk mandaat om deze hypotheek te vestigen zou worden verleend ;

2° dat de N.V. GAF (BELGIUM) de verbintenis aangaat gezegde goederen niet te vervreemden noch te verhuren noch ten gunste van een derde met enig welk zakelijk recht te bezwaren zonder het voorafgaandelijk en geschreven akkoord van de Algemene Kas en de Nationale Maatschappij, welke willen dat de te hunnen gunste eventueel te nemen hypotheek de overeengekomen rang zou bekleden, te weten de rang bepaald in de overeenkomsten van kredietopening dd. 15 oktober 1973 en dd. 21 november 1974, waarvan sprake hierboven.

Dit uiteergezet, en ten einde gezegde belofte te hypothekeren te verwezenlijken, heeft de comparante bij deze verklaard tot bijzondere mandatarissen aan te stellen, met mogelijkheid van indeplaatsstelling en het recht samen of afzonderlijk te handelen

aan wie zij onherroepelijk lastgeving geeft ten einde :

./.

1. Hypotheek toe te staan, in pariteit van rang met het  
voordeel van de Algemene Kas en de Nationale Maatschappij,  
op de hierna beschreven onroerende goederen, zomede op al  
de onroerende goederen inbegrepen de goederen onroerend  
door bestemming waarvan de comparante eigenares zou zijn  
op het ogenblik van de uitvoering van dit mandaat, zonder  
dat de comparante hieromtrent ooit enige betwisting zal  
kunnen opwerpen, tot zekerheid

A. 1. van het saldo van de hierboven vermelde  
door de Algemene Kas toegestane kredieten  
zomede tot waarborg van de betaling van de  
aan order der Algemene Kas ondertekende of  
nog te ondertekenen orderbriefjes, of hunner  
eventuele hernieuwingen, in vertegenwoordiging  
van die kredieten, ten belope van HONDERD-  
DERTIG MILJOEN VIJFHONDERDTWIZEND FRANK) in  
hoofdsom F 130.500.000.

2. van drie jaar interesten, berekend tegen de  
contractuele rentevoet van 7,90 % 's jaars,  
wat betreft het krediet toegestaan op 15 ok-  
tober 1973. en van de rentevoet die op 1  
januari 1976 door de Algemene Kas zal worden  
toegepast voor gelijkaardige kredieten wat  
betreft het krediet toegestaan op 21 november  
1975,  
waarvan de rente door de wet wordt gewaarborgd

3. van andere interesten, uitgaven, onkosten  
en bijbehoren zoals verzekeringspremies  
tegen brand die aan de Algemene Kas niet  
zouden zijn terugbetaald, interesten tegen  
de wettelijke rentevoet op evenvermelde premies,  
commissielonen, wederbelastingverroedingen,  
rechten en honoraria van

11/11/72

2

1.

alle akten van hypotheekstelling,  
van authentieke erkenning der schuld,  
lonen voor alle inschrijvingen, hono-  
raria van raadslieden, kosten van be-  
tekening en van schuldvorderingsver-  
klaring en, in het algemeen, allerhande  
kosten niet gewaarborgd door voorrecht  
of hypotheek, zoned: alle schadevergoe-  
dingen en alle verschuldigde sommen  
samen geraamd op (ZES MILJOEN VIJFHONDERD-  
VIJFENTWINTIGDUIZEND FRANK) .....F 6.525.000,-

B. 1° van het saldo van de hierboven ver-  
melde door de Nationale Maatschappij  
toegestane kredieten zomede tot waar-  
borg van de betaling van de aan order  
der Nationale Maatschappij onderteken-  
de of nog te ondertekenen orderbriefjes,  
of hunner eventuele hernieuwingen, in  
vertegenwoordiging van die kredieten  
ten belope van HONDERDEDETTIG MILJOEN  
VIJFHONDERDDUIZEND FRANK in hoofdsom F 130.500.000

2° van die jaar interesten, berekend tegen de  
contractuele rentevoet van 7,90% 's jaars  
wat betreft het krediet toegestaan op  
15 oktober 1975, en van de rentevoet die  
op 1 januari 1976 door de Nationale Maat-  
schappij zal worden toegepast voor gelijk-  
aardige kredieten wat betreft het krediet  
toegestaan op 21 november 1975,

.....



3° van andere interessen, uitgaven, en kosten  
en bijbehoren zoals verzekeringspremies  
tegen brand die aan de Nationale Maatschappij niet  
zouden zijn terugbetaald, interessen  
tegen de wettelijke rentevoet op even-  
vermelde premies, commissielonen, weder-  
beleggingsvergoedingen, rechten en hono-  
raria van alle akten van hypotheekstel-  
ling, van authentieke erkenning der schuld,  
lonen voor alle inschrijvingen, honoraria  
van raadslieden, kosten van betekening en  
van schuldvorderingsverklaring en, in het  
algemeen, allerhande kosten niet gewaar-  
borgd door voorrecht of hypotheek, zomede  
alle schadevergoedingen en alle verschul-  
digde sommen samen geraamd op ZES MILJOEN VIJF-  
HONDERDVIJFENTWINTIGDUIZEND FRANK ..... F 6.525.000,-

II. Te bedingen dat de Algemene Kas en de Nationale Maat-  
schappij het recht zullen hebben de procedures van be-  
warend of uitvoerend beslag op de te hunnen gunste met  
hypotheek bezwaarde goederen te vervolgen, overeenkomstig  
de wet van 10 oktober 1967 houdende het Gerechtelijk Wet-  
boek ; dat de vervolgingen zullen mogen worden ingespannen  
krachtens de grosse van de akte ; dat de Algemene Kas en  
de Nationale Maatschappij worden ontzlagen van de ver-  
plichting, het bestaan en het bedrag van hun schuldvorde-  
ring vooraf in een authentieke akte te laten vaststellen ;  
dat het bedrag der aan de Algemene Kas en Nationale Maat-  
schappij verschuldigde sommen op voldoende wijze zal  
blijken, zowel tegenover de comparante als tegenover der-  
den, uit een door de Algemene Kas en de Nationale Maat-  
schappij opgemaakt rekeninguittreksel of uit het over-  
leggen van de ondertekende ontvangstbewijzen, orderbrief-  
jes of andere stukken en uit een door hen voor echt ver-  
klaarde rekening van de bijbehorende rente, kosten en  
dorpelijke.

III. Te verzaken alle formaliteiten van uitspraak niet verplicht voorgeschreven door de wet ; alle verklaringen af te leggen betreffende de hypothekaire toestand van de te bezwaren onroerende goederen en namentlijk dat zij vrij en zuiver zijn van alle schulden en hypotheeken en zonder welke andere zakelijke rechten, en de comparante te verplichten de doorhalingsbewijzen voor te leggen.

IV. De schuld van de comparante authentiek vast te stellen en in uitvoering van huidige lastgeving, de akte of akten van hypotheekstelling authentiek te verlijden en alle zowel hypothekaire inschrijvingen als van inpandstelling ten voordele van de Algemene Kas en de Nationale Maatschappij te vorderen zelfs zonder instructies van de comparante of tegen haar instructies in.

V. De comparante te verplichten tot het vereffenen van de kosten en erelonen van de akten van hypotheekstelling.

Te dien einde alle akten te verlijden en te tekenen en in het algemeen alles te doen wat nodig of nuttig zal zijn om de huidige onherroepelijke lastgeving uit te voeren en desgevallend goedkeuring te beloven.

De comparante verklaart dat zij tot op heden geen enkel ander mandaat tot hypotheekvestiging heeft verleend met uitzondering van deze verleend op 22 januari 1974 voor Notaris Yves MEERT, te St-Niklaas, geregistreerd te St-Niklaas, 1<sup>o</sup> Kantoor, op 23 januari 1974, deel 581 blad 15 vak 20, getekend de ontvanger Fl. MUYSHONDT, in uitvoering van de overeenkomst van 15 oktober 1973 voornamelijk, en dat zij er evenmin een in de toekomst zal verlenen zonder de geschreven toelating van de Algemene Kas en de Nationale Maatschappij. De ontbinding of opslorping van de comparante of de dood van

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één of meerdere mandatarissen, doen het hierbij gegeven  
mandaat niet eindigen.

BESCHRIJVING DER GOEDEREN

onroerende goederen van nature en door bestemming

OORSPRONG VAN EIGENDOM (onroerende goederen)

WAARVAN ALTE (in brevet)



# **ONHERROEPELIJK MANDAAT TOT INPAANDSTELLING HANDELSZAAK**

Ten jare

de

voor ons

, notaris met verblijfplaats te  
, is verschenen :

de Naamloze Vennootschap GAF (BELGIUM), opgericht bij akte dd. 13 mei 1953, bekendgemaakt in de Bijlagen tot het Belgisch Staatsblad van 30 mei 1953 onder nummer 12.812, waarvan de maatschappelijke zetel gevestigd is te Sint-Niklaas, Industrie-park 1, hier vertegenwoordigd door :

handelend overeenkomstig artikelen 21 en 24 der statuten,  
benoemd

Welke comparante, voorafgaandelijk de aanstelling van  
mandatarissen hierna, heeft uiteenzet :

dat zij kennis heeft genomen van de clausules en voorwaarden van de overeenkomst van kredietopening afgesloten met de ALGEMENE SPAAR- EN LIJFRENTESKAS, hierna genoemd "Algemene Kas" en de N.V. NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIJVERHEID, hierna genoemd "Nationale Maatschappij", te Brussel, op 21 november 1975 waartegen de Algemene Kas haar een krediet toestaat groot F ... 68.000.000,- (ACHTENZESTIG MILJOEN FRANK) en de Nationale Maatschappij haar een krediet toestaat groot F 68.000.000,- (ACHTENZESTIG MILJOEN FRANK.

Beide kredieten worden gesplitst in een tranche 1 van F ... 33.000.000,- en een tranche 2 van F 33.000.000,-.

Voor de beide tranches zal de rentevoet worden toegepast van kracht op 1 januari 1976 bij de Algemene Kas en de Nationale Maatschappij voor gelijkaardige kredieten.

De interesten zijn senestrieel en bij verschoven termijn betaalbaar voor de verschillende tranches waarin het krediet onderverdeeld wordt, op 5 juli en op 5 januari en de kredieten zijn terugbetaalbaar als volgt :

1) Krediet toegestaan door de Algemene Kas :

Eerste tranche ad F 35.000.000,- :

a rate van F 3.500.000,- op 5 juli van ieder der jaren 1978 tot en met 1987.

Tweede tranche ad F 33.000.000,- :

a rate van F 3.300.000,- op 5 januari van ieder der jaren 1978 tot en met 1987.

2) Krediet toegestaan door de Nationale Maatschappij :

Eerste tranche ad F 35.000.000,- :

a rate van F 3.500.000,- op 5 juli van ieder der jaren 1978 tot en met 1987.

Tweede tranche ad F 33.000.000,- :

a rate van F 3.300.000,- op 5 januari van ieder der jaren 1978 tot en met 1987.

Aan deze overeenkomst waren gehecht een modelkonditie der algemene voorwaarden en een bijvoegsel aan dit modelkonditie ; een behoorlijk gezegeld exemplaar van dat modelkonditie en van zijn bijvoegsel zal aan huidige akte gehecht blijven.

De Algemene Kas en de Nationale Maatschappij hebben onder meer het toestaan van de kredieten ondergeschikt gemaakt aan de volgende voorwaarden :

1° dat de N.V. GAF (BELGIUM) aanvaardt op het eerste verzoek hetzij van de Algemene Kas, hetzij van de Nationale Maatschappij, te verpanden tot zekerheid van de kredieten, der interesten en bijbehoren, zomede tot waarborg van de betaling van de aan order van de Algemene Kas en Nationale Maatschappij ondertekende of nog te ondertekenen orderbriefjes of hunner eventuele hernieuwingen in vertegenwoordiging van deze kredieten, de haar toebehorende handelszaak hierna beschreven en dat een onherroepelijk mandaat om dit pand te vestigen zou worden verleend. ;

2° dat de N.V. GAF (BELGIUM) de verbintenis aangaat gezegde goederen niet te vervreemden noch te verhuren noch ten gunste van een derde met enig welk zakelijk recht te bezwaren zonder het voorafgaandelijk en geschreven akkoord van de Algemene Kas en de Nationale Maatschappij, welke willen dat de te hunnen gunste eventueel te nemen pand de overeengekomen rang zou bekleden, te weten de rang bepaald in de overeenkomst van kredietopening dd.21 november 1975 , waarvan sprake hierboven.

Dit uiteengezet, en ten einde gezegde belofte te verpanden te verwezenlijken, heeft de comparante bij deze verklaard tot bijzondere mandatarissen aan te stellen, met mogelijkheid van indeplaatsstelling en het recht samen of afzonderlijk te handelen

aan wie zij onherroepelijk lastgeving geeft ten einde :

1. Pand toe te staan, in pariteit van rang en in het voordeel van de Algemene Kas en de Nationale Maatschappij, op de hierna beschreven handelszaak, zonder dat de comparante hieromtrent ~~zijn enige betwisting~~ zal kunnen opwerpen, tot zekerheid

A. 1° van het saldo van het hierboven vermeldde door de Algemene Kas toegestane krediet zoodat tot waarborg van de betaling van de aan order der Algemene Kas ondertekende of nog te ondertekenen orderbrieven, of hunner eventuele hernieuwingen, in vertegenwoordiging van dat krediet, ten belope van ACHTENZESTIG MILJOEN FRANK in hoofdsom ..... F 68.000.000,

2° van drie jaar interesten, berekend tegen de rentevoet die op 1 januari 1976 door de Algemene Kas zal worden toegepast voor gelijkaardige kredieten waarvan de rang door de wet wordt gewaarborgd ;

3° van andere interesten, uitgaven, onkosten en bijbehoren zoals verzekeringspremies tegen brand die aan de Algemene Kas niet zouden zijn terugbetaald, interesten tegen de wettelijke rentevoet op evenvermelde premies, commissielonen, wederbeleggingsvergoedingen, rechten en honoraria van alle akten van verpanding, van authentieke erkenning der schuld, lonen voor alle inschrijvingen, honoraria van raadslieden, kosten van betekening en van schuldvorderingsverklaring en, in het algemeen, allerhande kosten niet gewaarborgd door voorrecht of hypotheek, zoodat alle schadevergoedingen en alle verschuldigde sommen samen gerekend op DRIE MILJOEN TIEFHONDERDDUIZEND FRANK ..... F 3.400.000

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B. 1° van het saldo van het hierboven vermelde door de Nationale Maatschappij toegestane krediet zomede tot waarborg van de betaling van de aan order der Nationale Maatschappij ondertekende of nog te ondertekenen orderbriefjes, of hunner eventuele hernieuwingen, in vertegenwoordiging van dat krediet ten belope van **ACHTZEKZESTIG MILJOEN FRANK** in hoofdsom ..... F 68.000.000,-

2° van drie jaar interesten, berekend tegen de rentevoet die op 1 januari 1976 door de Algemene Kas zal worden toegepast voor gelijkwaardige kredieten, waarvan de rang door de wet wordt gewaarborgd ;

3° van andere interesten, uitgaven, onkosten en bijbehoren zoals verzekeringspremies tegen brand die aan de Nationale Maatschappij niet zouden zijn terugbetaald, interesten tegen de wettelijke rentevoet op evenvermelde premies, commissielonen, wederbeleggingsvergoedingen, rechten en honoraria van alle akten van verpanding, van authentieke erkenning der schuld, lonen voor alle inschrijvingen, honoraria van raadslieden, kosten van betekening en van schuldvorderingaverklaring, en, in het algemeen, allerlei kosten niet gewaarborgd door voorrecht of hypotheek, zomede alle schadevergoedingen en alle verschuldigde sommen samen gerekend op **DEEL MILJOEN VIERHONDERDDUIZEND FRANK .. F 3.400.000,-**

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2. Te bedingen dat de Algemene Kas en de Nationale Maatschappij het recht zullen hebben de procedures van bewarend of uitvoerend beslag op de te hunnen gunste verpande goederen te vervolgen ; dat de vervolgingen zullen mogen worden ingespannen krachtens de grosse van de akte ; dat de Algemene Kas en de Nationale Maatschappij worden ontslagen van de verplichting, het bestaan en het bedrag van hun schuldvordering vooraf in een authentieke akte te laten vaststellen : dat het bedrag der aan de Algemene Kas en Nationale Maatschappij verschuldigde sommen op voldoende wijze zal blijken, zowel tegenover de comparante als tegenover derden, uit een door de Algemene Kas en de Nationale Maatschappij opgemaakt rekeninguittreksel of uit het overleggen van de ondertekende ontvangstbewijzen, orderbriefjes of andere stukken en uit een door hen voor echt verklaarde rekening van de bijbehorende rente, kosten en dergelijke
3. Te verzaken alle formaliteiten van uitwinning niet verplicht voorgeschreven door de wet ; alle verklaringen af te leggen betreffende de hypothekaire toestand van de te bezwaren handelszaak en namelijk dat zij vrij en zuiver is van alle schulden en verpanding en eender welke andere zakelijke rechten, en de comparante te verplichten de doorhalingsbewijzen voor te leggen.
4. De schuld van de comparante authentiek vast te stellen en in uitvoering van huidige lastgeving, de akte of akten verpanding authentiek te verlijden en alle inschrijvingen van inpandstellingen voordels van de Algemene Kas en de Nationale Maatschappij te vorderen zelfs zonder instructies van de comparante of tegen haar instructies in.
5. De comparante te verplichten tot het vereffenen van de kosten en belonen van de akten van inschrijving van de verpanding.

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6. De comparante aan te stellen als bewaakster en depositaris der te verpanden voorwerpen voor de Algemene Kas en de Nationale Maatschappij en in dezen voordeel.

Te dien einde alle akten te verlijden en te tekenen en in het algemeen alles te doen wat nodig of nuttig zal zijn om de huidige onherroepelijke lastgeving uit te voeren en desgevallend goedkeuring te beloven.

De comparante verklaart dat zij tot op heden geen enkel ander mandaat tot verpanding van haar handelszaak heeft verleend met uitzondering van deze verleend op 22 januari 1974 voor notaris Yves MEERT, te Sint-Niklaas, geregistreerd te Sint-Niklaas, 1<sup>o</sup> kantoor, op 23 januari 1974, deel 581 blad 15 vak 20, getekend de ontvanger Fl. HUYSEBOND, in uitvoering van de overeenkomst van 15 oktober 1973 en dat zij er evenmin aan in de toekomst zal verlenen zonder de geschreven toelating van de Algemene Kas en de Nationale Maatschappij. De ontbinding of opslorping van de comparante of de dood van één of meerdere der mandatarissen, doen het hierbij gegeven mandaat niet eindigen.

#### BESCHRIJVING DER GOEDEREN

1. handelszaak ingeschreven in het handelsregister te Sint-Niklaas onder nr. 28.346, en die de comparante uitbaat te Sint-Niklaas of die ze later elders zou kunnen uitbaten,

WAARVAN AKTE (in brevet).



De ondergetekende verbindt zich, op eerste verzoek van de Algemene Spaar- en Lijfrentekas of van de Nationale Maatschappij voor Krediet aan de Nijverheid, de bedoelde orderbriefjes voor aval te ondertekenen, welk aval aldus gegeven wordt in het voordeel van iedere houder dezer orderbriefjes.

De bors verzaakt uitdrukkelijk, zo voor hemzelf als voor zijn erven en rechtsopvolgers, het voorrecht van uitwinning en van schuldsplitsing alsmede het voordeel van artikel 2037 van het Belgisch Burgerlijk Wetboek; de verbintenissen van ondergetekende zijn ondeelbaar, met de meest uitgebreide gevolgen van de ondeelbaarheid.

De ondergetekende erkent dat, wanneer de Algemene Spaar- en Lijfrentekas en de Nationale Maatschappij voor Krediet aan de Nijverheid het recht hebben de vervroegde terugbetaling van haar schuldvorderingen te eisen van de N.V. SAF (BELGIË) te St-Niklaas zij hetzelfde recht hebben ten opzichte van de bors.

De indenlaatestelling ten voordele van de bors die een gedeeltelijke terugbetaling heeft gedaan van de schuldvorderingen van de Nationale Maatschappij en de Algemene Kas, kan nooit aanspraak maken op de verschuldigde terugbetaling van de Algemene Kas; in dat geval mogen deze laatste, overeenkomstig de bepalingen van artikel 1252 van het Belgisch Burgerlijk Wetboek, haar rechter voor wat hun nog verschuldigd blijft uitroepen bij voorrang op dienszake van wie zij betaling ontvangt van een deel van haar schuldvorderingen.

De ondergetekende verbindt zich, wat betreft de verschotten verstrekt in het voordeel van de Algemene Spaar- en Lijfrentekas en van de Nationale Maatschappij voor Krediet aan de Nijverheid, geen enkel verhaal uit te oefenen tegen de onderneming, de schuldezers van de kredieten, en evenzoo tegen andere

welke andere debiteuren of garanten, voor de betalingen die hij zou gedaan hebben wegens deze boeztocht, zolang de schuldvorderingen van de Algemene Spaar- en Lijfrentekas en van de Nationale Maatschappij voor Krediet aan de Nijverheid niet volledig in hoofdsom, interesten, kosten en bijbehoren, zijn terugbetaald.

De ondertekende verklaart de Algemene Spaar- en Lijfrentekas en de Nationale Maatschappij voor Krediet aan de Nijverheid en, in het algemeen, iedere houder, te ontlasten van het doen protesteren van de orderbriefjes waarvan sprake hiertoren, verklaart ze eveneens te ontslaan van sender welke pleegvormen, met inbegrip van het bericht van niet-betaling voorzien in de artikelen 45 en 77 der Belgische gecoördineerde wetten op de wisselbrief en het orderbriefje, geen beroep te zullen doen op de laatste alinea van evengenoemd artikel 45 en te verzaken alle exceptie en middelen van rechtsverval. De ondertekende erkent dat, ondanks de niet-vervulling der wettelijke formaliteiten, de interesten toch zullen loopen, juist alsof de formaliteiten waarvan de houder ontslagen is, wel werden nageleefd.

Het is wel verstaan dat het de houder vrijstaat te laten protesteren, indien hij het nuttig acht.

Bij afwijking van de artikelen 253 en volgende van het Belgisch Burgerlijk Wetboek, hebben de Algemene Spaar- en Lijfrentekas en de Nationale Maatschappij voor Krediet aan de Nijverheid het recht de orderbriefjes aan te duiden op welke de betalingen verricht door de ondertekende zullen worden aanrekenend, redachtelijke aanrekeningen en verschillende orderbriefjes te verrichten, of te wachten met de aanrekeningen tot de vervaldag van alle orderbriefjes en zelfs tot het resultaat van de uitspraak van alle rechten die de orderbriefjes hun verlenen.

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De ondergetekende erkent de bevoegdheid van de rechtbanken  
te Brussel, en alleenlijk de toepassing van de Belgische Wet.

Te

op

1/11/72

Differences between versions of documents  
in red at the left margin. Words in the text  
that they replace are underlined in red.

LOAN AGREEMENT

BETWEEN:

Of the first part: the ALGEMEENE SPAAR-EN LEYENREKAS established under government control enacted by the law of March 16, 1865,

having its offices at 48 Wolvengracht in Brussels, mentioned hereafter as Algemeene Kas, here represented according to article 13 of the above mentioned law, amended by the Royal Decree of October 14, 1937 and by the Royal Decree No. 20 of May 23, 1965, by Mr. F. Cleeren, Managing Director, residing at 109 Chazallean in Schaerbeek,

to whom power was given by the General Managing Director according to a ruling of May 2, 1974, followed by an abridgement entered in the Belgian State Gazette of July 19, 1974.

Of the second part: the "NATIONALE NANTENREKAS VOOR KREDIET  
AN DE NANTENREKAS, of which the registered office is seated at  
16 Waterloostraat in Brussels, being under the commercial register no. 2008 in Brussels, hereafter mentioned as Nationale Nantenrekas, and represented by:

- Mr. Paul F. L. L. L., Chairman/President of Nationale Nantenrekas, residing at 8



Gabriel Faurélaan, 1190 Brussels;

- Mr. Louis GEERAERTS, Managing Director, residing at 3  
Prinsenstraat, 1850 Grimbergen;  
acting accordingly

Of the third part: the Naamloze Venootschap G A F (BEL-  
GIUM), whose headquarters are at 1 Industriepark in St.-  
Niklaas, founded by deed of May 13, 1953, publicized in  
the appendix of the Belgian Statute Blotter of May 30th,  
1953, under No. 12,812, and whereof the articles of associa-  
tion were last amended by act of November 23, 1970, publicized  
in the appendix of the Belgian Statute Blotter of December 4,  
1970 under No. 3179-2, entered in the Commercial Register in  
St.-Niklaas under No. 28,346, hereafter mentioned as the enter-  
prise, here represented upon the strength of article 24 of the  
statutes

by:

- Mr. Frank Thomas CAMPAGNA, Administrator/Trustee, residing  
at 10 Tyler Lane, Riverside, Connecticut 06878, U.S.A.

and

- Mr. Georges L. BYA, Administrator, General Managing Direc-  
tor, residing at 9 bis Avenue de la Ferme Rose, 1180 Brussels.

Agreement has been expressed upon the following:

Article 1. - Amount

The ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ, acting without joint liability between them, each supply credit to the enterprise:

The ALGEMENE KAS a credit in the amount of 68,000,000 Francs (sixty-eight million francs) and the NATIONALE MAATSCHAPPIJ a credit in the amount of 68,000,000 francs (sixty-eight million francs).

Article 2. - Assessment List

These credits are allowed and accepted with all their rates and taxes, stipulations and general terms established in the enclosed assessment list and its appendix, in so far as there are no deviations hereof thereafter.

Article 3. - Objective

In accordance with the information given by the enterprise, the credits, together with the all-over credit of 125,000,000 francs, allowed by the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ on October 15, 1973, earmarked to finance partially investments in St.-Niklaas in the amount of 545,438,000 francs, being:

- the purchase of ground..... 30,900,000 francs
- the erection of buildings.....286,350,000 francs
- the purchase of material.....185,088,000 francs
- (- the purchase fees, moving expenses and

engineering fees.....	43,100,000 francs
	<u>945,438,000 francs</u>
	=====

The stipulations of the investments appear in the full particulars given by the enterprise. These stipulations were deposited in the files of the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ.

Article 4. - Borrowing on credit allowed by the ALGEMENE KAS

The credit granted by the ALGEMENE KAS will be loaned through the issuance of promissory notes. These promissory notes will be signed by the enterprise to the order of the ALGEMENE KAS or according to any other modality accepted by the ALGEMENE KAS.

The loan-assimilation program anticipates that the credit will be allotted as follows:

35,000,000 francs on July 6, 1976  
33,000,000 francs on January 6, 1977

No deviations are allowed from the above mentioned loan-assimilation program without the agreement of the ALGEMENE KAS.

The enterprise will sign 10 promissory notes of 3,500,000 francs and 10 promissory notes of 3,300,000 francs. These promissory notes will arrive at maturity respectively as follows:

First portion 35,000,000 francs  
3,500,000 francs on July 5 of each of the  
years 1978 up to and including 1987;

Second portion 33,000,000 francs  
3,300,000 francs on January 5 of each of  
the years 1978 up to and including 1987.

The interest for both portions will be computed at the rate of interest which was in use by the ALGEMENE KAS on January 1, 1976 and which will be used for like credits; the interest falls due half-yearly and is payable on July 5 and January 5.

A bonus of 4% was allocated by the government in virtue of the law of December 30, 1970, for a period of 10 years, computing the date of the first loan-allotment on each credit portion. The bonus is calculated in accordance with a theoretic plan of redemption of 10 equal yearly amortizations, the first due one year after the first loan on each credit portion.

From July 6, 1980 the rate of interest will be replaced by that in use by the ALGEMENE KAS on April 6, 1980, for like credits with a duration equaling the initial duration of the current credit.

The rate of interest will not undergo any changes when the revision will not amount to more than 0.25% yearly.

On July 5, 1981, 1983 and 1985 the enterprise will have the right to reimburse the balance on hand, provided the ALGERIENS KAS is notified of this fifteen days in advance and that a reimbursement of six months' interest is paid to them, computed at the rate of interest in force at the above mentioned date and calculated on the amount of the accelerated repayment.

Article 5. - Borrowing on credit allowed by the NATIONALE MAATSCHAPPIJ

The credit granted by the NATIONALE MAATSCHAPPIJ will be loaned through the issuance of promissory notes. These promissory notes will be signed by the enterprise to the order of the NATIONALE MAATSCHAPPIJ or according to any other modality accepted by the NATIONALE MAATSCHAPPIJ.

The loan-assimilation program anticipates that the amount will be allotted as follows:

35,000,000 francs on July 6, 1976

33,000,000 francs on January 6, 1977.

No deviations are allowed from above mentioned loan-assimilation

program without the agreement of the NATIONALE MAATSCHAPPIJ.

The enterprise will sign 10 promissory notes of 3,500,000 francs and 10 promissory notes of 3,300,000 francs. These promissory notes will arrive at maturity respectively as follows:

First Portion      35,000,000 francs:  
3,500,000 francs on July 5 of each of the  
years 1978 up to and including 1987;

Second Portion      33,000,000 francs:  
3,300,000 francs on January of each of the  
years 1978 up to and including 1987

A bonus of 4% was allocated by the government in virtue of the law of December 30, 1970, for a period of four years, computing the date of the first loan-allotment on each credit portion. The bonus is calculated in accordance with a theoretic plan of redemption of 10 equal yearly amortizations, the first due one year after the first loan on each credit portion.

From July 5, 1980 the rate of interest will be replaced by that in use by the NATIONALE MAATSCHAPPIJ on April 6, 1980, for like credits with a duration equaling the initial duration of the current credit.

The rate of interest will not undergo any changes when the revision will not amount to more than 0.25% yearly.

On July 5, 1981, 1983 and 1985 the enterprise will have the right to reimburse the balance on hand, provided the NATIONALE MAATSCHAPPIJ is notified of this fifteen days in advance and that a reimbursement of six months' interest is paid to them, computed at the rate of interest in force at the aforementioned date and calculated on the amount of the accelerated repayment.

#### Article 6. - Security

For safety's sake is ordered to secure the refund of the principal interest and riders to the credits allocated by the present agreement by the ALGEMEENE KAS and the NATIONALE MAATSCHAPPIJ, and to secure the refund of the promissory notes, signed or to be signed in consideration of this agreement, to the order of the ALGEMEENE KAS and the NATIONALE MAATSCHAPPIJ, or of their eventual renewals, as well as to secure the over-all credit in the amount of 125,000,000 francs granted by the ALGEMEENE KAS and the NATIONALE MAATSCHAPPIJ on October 15, 1973.

##### A. 1)

The enterprise pledges itself not to alienate, not to let out for hire, not to encumber with a mortgage, not to allow a claim in favor of a third party the hereafter mentioned property as well as the

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real property earmarked as immovable without having previously received written authorization from the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ.

The aforementioned real estate consists of:

a plot of land on which to erect buildings, situated in the industrial zone of the communities of Sint-Niklaas and Tense, between the Eigenlostraat, Autospeedway E 3, Hoogkanerstraat and the railway tracks Mechelen-terneuzen, surface: size 15 hectares 48 acres 69 centiares, registered in the cadastral section 3 of the land registry office under the following numbers: 1140, 1141, 1147, 1149, 1150, 1151, 1152, 1165, 1166, 1167, 1167/2, 1168, 1168/2, 1169, 1170, 1171, 1173/2, 1181/b part, 1182/a, 1183, 1184/part, 1192/part, 1193/part, 1194, 1195, 1196 and 1209/part.

2)

The enterprise pledges itself at the first request, either of the ALGEMENE KAS or of the NATIONALE MAATSCHAPPIJ, to secure the refund of the current credits and the over-all credit in the amount of 125,000,000 francs, granted by the ALGEMENE KAS and of the NATIONALE MAATSCHAPPIJ on October 15, 1973, in favor of the ALGEMENE KAS and of the NATIONALE MAATSCHAPPIJ to grant a mortgage on the aforementioned real estate, in the amount of 261,000,000 francs in principal, along with interest and rider.



The eventual undertaking of a mortgage must come as a first priority.

This binding agreement must be substantiated by an unwaiverable notarial power of attorney, drawn up in blanco and certified, in the amount of 261, 000,000 francs in principal, according to model attached hereto as appendix A.

Before actively engaging in a mortgage the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ GAF CORPORATION in New York, shall be notified thereof fifteen days in advance by registered letter.

B.

To secure the refund of the principal, interests and riders of the credits, granted by this loan-agreement by the promissory notes, signed or to be signed in the future by reason of this present agreement, to the order of the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ, or of their eventual renewals.

1) the enterprise pledges itself not to alienate its business concern, not to let out for hire, not to encumber with a mortgage, not to allow a claim in favor of a third party, without previously having received written authorization from the

Algemene KAS and the NATIONALE MAATSCHAPPIJ.

2) the enterprise pledges itself at the first request, either of the ALGEMENE KAS or the NATIONALE MAATSCHAPPIJ to secure the refund of the current credits in favor of the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ on its business concern, extend pledges in the amount of 136,000,000 francs in principal, along with interests and riders.

The eventual tendering of a pledge against its business concern can only be preceded by an eventual entry against its business concern as first priority in the amount of 125,000,000 francs in principal, along with the interest and riders in accordance with the notarial power of attorney taken as a pledge for the security of the over-all credit of 125,000,000 francs also granted by the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ on October 15, 1973.

This binding agreement must be substantiated by an unrevocable notarial power of attorney for pledging, drawn up in blank and certified in the amount of 136,000,000 francs in principal, according to model attached hereto as appendix B.

Before actively taking on a pledge against the business concern

the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ GAF CORPORATION in New York shall be notified thereof fifteen days in advance by registered letter.

C.

GAF CORPORATION in New York, (U.S.A.), N.Y., 140 West 51st Street, will have to guarantee jointly and severally the amount of 136,000,000 francs in principal, along with interests and riders, toward the credits.

This guarantee will be drawn up according to model attached hereto as appendix C.

#### Article 7.

1) Concurrently with the use of the monies proceeding from the credits the enterprise itself has to vouch for the accuracy of the financing in the amount of 109,948,000 francs in part payment of the investments' expenditures ad 245,948,000 francs anticipated for 1975 and 1976, and that are not covered by the net yield of the present transaction. The justificatory documents presented by the enterprise to show proof to substantiate the loan requests will only be taken into consideration for 57% of the amount. Thereafter the enterprise must finance itself up to the amount of 102,490,000 francs of the investments' expenditures foreseen for 1977 and 1978 and

that are not covered by the net yield of the credits.

2)

In deviating from article 2 of the model assessment list the term of the loan of the credit ad 16,000,000 francs is extended until January 31, 1977 and the opening of the credit provision is uniformly fixed at 0.50% yearly.

3)

The balance of the revenue account, and the profit and loss account of the GAF CORPORATION must be submitted annually, four months after the closing of the fiscal year for inspection. This balance has to be approved by a bureau of certified public accountants with international standing.

4)

The advice of an American lawyer, independent of the enterprise and the guarantor, has to be presented to the NATIONALE MAATSCHAPPIJ, herein has to be affirmed

that:

- the by-the-guarantor-signed act, being responsible jointly and severally, is not conflicting with the American legislation;
- the statutes of the surety AND THAT THE agreement the guarantor entered into permit him to sign aforementioned act guaranteeing jointly and severally, for better surety of the backing of the agreement of the N.Y. GAF(Belgium) in Sint-Niklaas, as appears out of the current agreement of opening

of a credit;

- the person or persons who signed as guarantor the act making him/them jointly and severally responsible, legally bind him;

- the by-the-guarantor-signed act holding him jointly and severally responsible for better security satisfied all legal requirements in order to eventually be able to intervene and put into effect a judgement in America.

5)

The granting of a bonus has been made of secondary importance by the government under the conditions contained in the appendix of the model assessment list and the following special conditions:

on December 1, 1978 those employed must number at least 101 persons of which there must be a minimum of 15 handicapped.

6)

The act of acquisition of the land must be submitted for approval to the NATIONALE MAATSCHAPPIJ, it may not contain clauses that could interfere with the validity of the agreed-to guarantees or lower its value.

7)

That by-the-authorities-approved final blueprints and the builders' estimates and specifications as well as the building permit have to be submitted to the approval of the NATIONALE MAATSCHAPPIJ.

8)

Mergers and amalgamations made by the enterprise or by the GAF Corporation, New York, are allowed without the previous written agreement of the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ, if in consequence thereof the consolidated private property of the GAF Corporation does not fall below the amount of \$250,000,000.

Drawn up in Brussels in triplicate on November 21, 1975

NY GAF(Belgium)

(s) G.L. BYA  
Administrator,  
Managing Director

(s) F.T. CAMPAGNA  
Administrator

ALGEMENE SPAAR-EN LIJFVERZEKAS

(s) F. CLEFFEN  
Managing Director

NATIONALE MAATSCHAPPIJ  
VOOR KREDIET AAN DE  
RIJVERHEID

(s) L. GERRAERTS  
Managing Director

(s) P. CALLEBAUT  
Chairman  
President

14.

Model Assessment List of the General Terms in Enforcement  
for the Credits Granted by the NATIONALE MAATSCHAPPIJ VOOR  
KREDIET AAN DE NIVERHEID and the ALGEMENE SPAAR -EN LIJFRENTKAS

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In this model assessment list the abbreviations will be as follows:

- NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIVERHEID:  
NATIONALE MAATSCHAPPIJ
- ALGEMENE SPAAR -EN LIJFRENTKAS: ALGEMENE KAS
- the one who, or those who have obtained credit as each disposal of credit: LOAN-WITHDRAWAL

Article 1. Loan-withdrawal

The NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS are able to defer each request for loan-withdrawal until such time that the general and specific conditions of the credit are complied with, and, moreover, until the formalities deemed necessary are complied with in order that the given guarantess would be commensurate with the third party who would be invested with the agreement to rank

The NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS are allowed to

subordinate loan-withdrawals to the producing of documents from which it appears that the monies are drawn in order to realize the objective for which those credits were granted.

If the enterprise does not draw the entire credit the last portions of the redemption plan arrive at maturity according to the part not drawn.

The enterprise has to take into consideration with due regard to the redemption plan and give instructions in connection with the destination and the manner of depositing of the monies which must be put at its disposal.

#### Article 2. Duration of credit

The NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS have the right by the expression of their desire even by regular letter to prevent any further loans after a lapse of nine months calculated from the day of its sending by the NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS to the enterprise, of the letter of consent or according to the agreement concerning the opening of a credit agreement.

Opening of credit commission - If the full amount of the credit



is drawn within three months from that day, there is no commission due for the opening of credit.

After this term of three months has elapsed the enterprise owes a commission for the opening of credit on the part not drawn of the credit or on the total amount of the credit if no amount was drawn at all. This commission is calculated "pro rata temporis" and becomes payable at maturity at the latest at the end of each quarter.

commission

The percentage of this provision has been fixed at a half percent yearly from the fourth month on up to and including the twelfth month and at three-quarters percent yearly from the thirteenth month undiminished without prejudice to the right of the NATIONALE MAATSCHAPPIJ and the ALGEMEENE KAS to terminate the credit after expiration at the end of the ninth month.

Compensation for non-use - In case of termination of credit either by application of the right granted in the first paragraph of this article, the NATIONALE MAATSCHAPPIJ and the ALGEMEENE KAS have the right to undertake beyond the provision of opening of credit a compensation for non-use, amounting to six months of interest on the amount at the closing for funds not yet drawn. The interests are calculated at

so-called  
a demand a compensation from the enterprise for non-use, amounting to three months

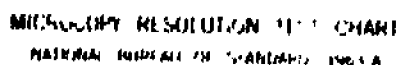
the rate of interest applicable on the credit whereby the bonus which, in this case, granted by the government for reduction of the interest charges carried by the enterprise is not taken into account.

Article 3. Signing of promissory notes

The loan-withdrawals must take place against presentation of promissory notes of which the dates of maturity coincide with the agreed-upon plan of redemption.

These promissory notes, as well as those in aforementioned case, which would be signed with the approval of the NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS through total or partial renewal of the previous promissory notes, bring about a renewal of debt.

The NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS are expressly released from the obligation of protesting the promissory notes, their eventual renewal, as well as giving any like notice or fulfill any formality. The NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS may eventually foresee other modalities for the representation of their claim.



THIS STATEMENT WAS FILMED WITH THIS DOCUMENT. IF THE PAGES OF THE DOCUMENT ARE LESS CLEAR THAN THIS STATEMENT IT IS DUE TO THE POOR PHOTOGRAPHIC QUALITY OF THE DOCUMENT.

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Article 4. Interests

The interests are payable half-yearly and on expiration of the term; calculating those interests it is taken into consideration that each month is counted as having thirty days.

If for one reason or another, a claimable amount is only paid back after the fixed maturity date, the interest runs until the day of the actual repayment and this rightfully without reminder by letter and without prejudice to all the rights and claims of the NATIONALE MAATSCHAPPIJ and the ALGEMEENE KAS.

If the interest is not paid on the due date, an additional interest of a half percent yearly calculated on the amount of the principal of the claim, which served as basis for the calculation of these interests, is rightly due to the NATIONALE MAATSCHAPPIJ and the ALGEMEENE KAS without reminder by letter for the period for which this interest is contractually due.

If an amount of the principal is not paid back on the due date an additional interest of a half percent yearly, calculated on the amount not repaid of the principal and decidedly from the unpaid due date on until the day of the actual refund, is rightly due to the NATIONALE MAATSCHAPPIJ and the ALGEMEENE KAS without reminder by letter.

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6.

The increase of the interest rate by a half percent yearly is rightly applicable in case of expediting past due claims of the balance of the credit and such from the last due date in interests which preceded the date of the immediate injunction.

Article 5. Accelerated refund and reinvestment indemnity

Complete or partial accelerated refunds are subject to the approval of the NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS. They are not allowed during the first five years of credit.

Accelerated refunds are used as the preferred means by which to redeem a loan whose due date is the farthest away.

A reinvestment indemnity is due in case of accelerated refund; it entails six months' interest on the deposited amount and is calculated at the rate referred to in the last paragraph of article 2.

Article 6. Immediately collectible past due claims

The NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS have the right by simple acknowledgment of their intentions in regard to this without reminder by letter nor any other legal formality whatsoever to terminate the credit and to demand immediate refund of the due debt and to be released of all their obligations toward the enterprise whether these commitments stem from the credit

or from other transactions, in the following cases:

- a) inexact information given by the enterprise to the NATIONALE MAATSCHAPPIJ, the ALGEMENE KAS or to their delegates;
- b) non-compliance by the enterprise to legally binding agreement in relation to the credit;
- c) destination or use of the credit for a reason other than that for which it was intended;
- d) suspending or altering of industry, interruption of payment, evident insolvency, placement in sequestration, bankruptcy, request for amicable settlement or legal agreement, or request for extension of payment from the enterprise;
- e) if after having previously made the necessary deductions the accumulated losses of the enterprise amount to twenty-five percent of its own funds (capital and reserve) such as those funds that appear in the bookkeeping of the enterprise;
- f) protest of a business holding on which the signature of the enterprise appears;
- g) if the enterprise is a company: change of trade name, its dissolution for any reason whatsoever, amalgamation, absorption, also partially and/or by another company, participation in the capital of another company without the approval of the NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS; if the enterprise is not a company: demise, dismissal, adjunction of a legal adviser, or other legal incompetence of a person or one of the persons who obtained the credit;

b) complete or partial alienation of goods, encumbered by a mortgage or a lien right in favor of the NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS and wherefore a promise for mortgage or a lien was contracted in their favor; new encumbrance of these goods without the approval of the NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS; damaging or poor upkeep of these, alteration of their condition or their destination, the fact deemed sufficient for being declared by way of an ordinary attestation of the delegate of the NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS: injunction, sequestration or other legal action of a third party aiming to succeed the proprietor of these goods, or further having drawn up a report on the basis of article 27, 5<sup>e</sup> of the law of December 16, 1851, by a building expert, a contractor or any other person empowered to this effect by said article.

i) if a co-debtor or a guarantor finds himself in one of the named cases sub b) d) f) or g) hereabove.

If the enterprise disposes of several credits by the NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS they have - when they can call upon a clause of immediate reimbursement of one credit - the right to have all the credits made reimbursable. If the credit is reimbursable in regard to the enterprise, it is also reimbursable in regard to the co-debtors and to the guarantors.

If there exist several beneficiaries of the credit, the reim-

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bursability in regard to one of them also brings along with it the reimbursability in regard to the others.

Article 7. Payment

All the payments owing to the credit to be carried out by the enterprise, a co-debtor or a guarantor, will be made at their expense, free of all deductions, assessments, and taxations of any kind or nature, as well as those already existing and those to be imposed, are made to the seat of the company of the NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS or to the branch offices or agencies of the National Bank of Belgium. If the due date is on a Saturday, Sunday or holiday, the payment must take place on the workday immediately preceding.

When there exist several beneficiaries, each payment will be made by one of them in regard to the NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS deemed having been definitely made for its account for all and any of its part among them.

No subrogation whatsoever in the rights of the NATIONALE MAATSCHAPPIJ and the ALGEME KAS can be appealed for to their disadvantage by either the guarantors, both businesslike and personal, or by the co-debtors.



10.

Article 8. Joint liability, indivisibility

The agreements stemming from the credit are jointly and severally liable and indivisible with regard to the capital, the interests and appurtenances in the largest sense of the word.

Article 9. Fire insurance

The enterprise and each third pledger have the obligation to have insured for their full reconstruction value against the hazard of fire, against being struck by lightning, against explosions, and against being crashed into by airplanes, the goods encumbered by a mortgage or lien to the advantage of the NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS or wherefore in their favor a promise of either mortgage or of entering into a lien, as well as immovables by destination, and/or the material necessary to the industry's exploitation, and/or the trade business, for the entire duration of the credit.

The enterprise is obliged as soon as a disaster strikes one of these goods to immediately give to the NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS the exact location of the ravaged good as well as the circumstances under which the disaster occurred and the name of the insurance company.

Article 10. Hiring out of goods

The goods encumbered with a mortgage in favor of the NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS or for which a promise of mortgage was arranged in their favor and which must be instrumental in the realization of the purpose of the enterprise, cannot at any time during the duration of the credit, without the approval of the NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS be hired out or constitute the object of a sublet or cede a right of renting.

The hiring out of the other goods, that were mortgaged or wherefore a promise of mortgage was arranged is permissible but the owner may not without the written consent of the NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS grant the renting for more than three years nor lease wherein the renter would exploit a retail trade or would have an enterprise that would put him in direct contact with the public. He may not consent to a cession nor to a transference of rent monies nor stipulate anything that would prejudice the rights of the NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS as for instance collect in advance the rent monies for a period of time that amounts to more than one year.

Article 11. Material

t pledges itself  
s well to give  
nowledge to the  
tionale Maatschappij  
he Algemene Kas of  
aforementioned  
ds,

If for that end it is requested by the NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS the enterprise binds itself to provide the NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS with a briefly worded and signed report of its material, equipment, office furniture and in general of all the movable property useful for its exploitation and to give them knowledge of all important changes.

Article 12. Supervision

exercising control  
r the credit

The NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS have the right to ask for all information they deem necessary for assessing the situation of the assets and liabilities of the enterprise and of the co-debtors as well as for the supervision of the credit. they are allowed to make at any time an inquiry in connection with the situation of the business, and the bookkeeping and all other records that are useful for that purpose must be kept at the disposal of the NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS or their delegates, herein included each insurance policy.

Article 13. Expenditures

All the costs, fees, royalties arising from the credit, as the

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costs of deeds, of prosecution and administration of justice, of legal notices and the declaration of claim, of renewal registration, of abrogation and receipt, as well as all other costs not specifically safeguarded by privilege of mortgage, of prefatory note, of a mortgage, are not at the expense of the enterprise.

Article 14. Competence

All claims belong to the competency of the courts of justice in Brussels.

Article 15. Deviations

Deviations from aforementioned conditions by the arrangements set down in the agreement or in the correspondence.

• varietur  
signed, to remain  
fixed to the deed  
last today, March 26,  
1976 before Notary  
Jean Meert in St-Niklaas.

APPENDIX TO THE ASSESSMENT LIST OF THE GENERAL CLAUSES AND  
CONDITIONS IN FORCE FOR THE CREDITS GRANTED BY THE ALGEMENE  
SPAAR- EN LIJFRENTKAS AND BY THE NATIONALE MAATSCHAPPIJ VOOR  
KREDIET AAN DE NIJVERHEID N.V.

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Special conditions arising from the prescriptions of the law  
of December 30, 1970

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Article 1 As the credit was brought about with the guarantee  
of the government and/or with granting of an interest bonus,  
the enterprise is obliged to meet its commitments prescribed  
to it by the law (or laws), the Royal Decrees, in execution  
of which the advantages are conferred.

In order to enable the enterprise to better comprehend the  
exact range and importance of these obligations, but with  
exclusion from each responsibility for the ALGEMENE KAS and  
the NATIONALE MAATSCHAPPIJ in case of forgetfulness or neglect,  
the obligations and prescriptions arising from the legal texts  
are hereafter mentioned:

a/ the enterprise has to use the buildings, equipment and  
material erected or bought by means of the granted credits  
in accordance with the foreseen aims and conditions until  
after the expiration of a term of one year from the last pay-

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necessary for the safeguarding of the government's interests as well as render account concerning the spending of the credit according to the prescribed purposes and of the accurate execution of the approved activity program; the enterprise is obliged to allow its installations to be inspected / the delegates of, in application of the law, the charged Ministers, and to give them all useful particulars to enable them to fulfill their assignment. The ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ also have the right to inspect the installations and to obtain all necessary particulars.

e/ it is explicitly in agreement that the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ should provide the competent Ministers with all particulars concerning its activity, its development as well as about the realization of the purchase program of material and of the rationalization program and that all errors or gaps which might be present in the given deposition would be made known to the competent Minister.

It even gives permission to the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ to eventually make known to the Ministers the reasons for cancellation of the credits;

f/ in case of government guarantee the enterprise is obliged to give notice to the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ of each acquisition of immovable property and to

grant hereon in favor of the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ mortgages of the first priority in the amount of a sum to be fixed by the latter.

#### Article 2

The ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ will have the right to terminate the credits and request the immediate payment of all the promissory notes if the enterprise does not live up to one of the above mentioned arrangements, or if they would lose the favor of the guarantors of the government. This last eventuality will in respect to the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ be sufficiently demonstrated by a declaration of the Minister of Finances or of the Minister of Economic Affairs or of the Minister of the Middle Class.

The refund is claimed without warning letter or any legal formality whatsoever.

#### Article 3

The interest bonus is no longer applicable on the amounts which are claimable either because the term is over due or by the strength of clauses of premature claimability, but yet not paid.

Article 4

In case of simultaneous government guaranteeship existing and guarantorship by a third, the latter through his legal relations toward the government will be considered the principal debtor, jointly and severally liable with the enterprise, in such a way that this third party cannot exercise a recuperation against the government in case he would be compelled to pay in place of the enterprise. The government may be allowed to exercise recuperation, on the other hand, if he repays the ALGEMEENE KAS and the NATIONALE MAATSCHAPPIJ, against the guarantor for the total amount.

Article 5

In enforcement of the conditions put forward by the government for granting of the bonus and/or its guarantee, the enterprise pledges itself thereto to keep the ALGEMEENE KAS and the NATIONALE MAATSCHAPPIJ informed in the month of the occurrences of each change:

-in its management, that is to say considering those in the composition of the Board of Directors who take care of the daily administration.



Article 6

If the enterprise falls short in its legal contractual commitments deriving from the granting of the interest bonus, it will have to repay bonuses to the government which he deposited into the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ.

Article 7

A decision taken by the government in connection with the interest bonus may never be detrimental to the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ. In all of the cases the enterprise is indebted to the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ for the difference owed between the contractual interests and the actual bonus paid by the government.

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APPENDIX A

IRREVOCABLE MANDATE TO SET UP A MORTGAGE

In the year

the

before Us

, Notary with the address

in

, has appeared:

the Naamloze Vennootschap G.A.F. (BELGIUM), established by deed on May 13, 1953, published in the Annexes of the Belgisch Staatblad of May 30, 1953 under number 12,812, whose registered offices are established at 1 Industriepark in St-Niklaas, here represented by:

acting in accordance with articles 21 and 24 of the statutes,  
appointee

which party, previously explained the appointment of mandatories hereafter

-.that it has taken cognizance of the clauses and conditions of the agreement on the opening of credit concluded with the ALGEMEEN SPAAR- EN LEVENSTAKAS hereafter named "ALGEMEEN KAS" and the N.V. NATIONALE MAATSCHAPPIJ VOOR KREDIET AA. DE NIEVEREID, hereafter named "NATIONALE MAATSCHAPPIJ", in Brussels on October 15, 1973

2.

against which the ALGEMENE KAS grants it a credit of 62,500,000 francs (sixty-two million five hundred thousand francs) and the NATIONALE MAATSCHAPPIJ grants it a credit of 62,500,000 francs (sixty-two million five hundred thousand francs) against an interest rate of 7.90% yearly.

The interests are payable half-yearly and after due date for the different portions wherein the credit is subdivided, respectively May 5 and November 5, and the credits are repayable as follows:

1) Credit granted by the ALGEMENE KAS:

First portion ad. 50,000,000 francs:

at the rate of 5,000,000 francs on November 5 of each of the years 1976 up to and including 1985.

Second portion ad 12,500,000 francs:

at the rate of 1,250,000 francs on May 5 of each of the years 1976 up to and including 1985.

2) Credit granted by the NATIONALE MAATSCHAPPIJ:

First portion ad 50,000,000 francs:

at the rate of 5,000,000 francs on November 5 of each of the years 1976 up to and including 1985.

3.

Second portion ad 12,500,000 francs:

at the rate of 1,250,000 francs on May 5 of each of the years 1976 up to and including 1985.

To this agreement was affixed an assessment list of the general conditions and an addendum to this assessment list; a duly stamped example of this assessment list and of its annex will stay affixed to the present deed.

- and that it has taken cognizance of the clauses and conditions of the agreement of the opening of credit contracted with the ALGEMENE SPAAR- EN LIJFRENTEKAS, hereafter named ALGEMENE KAS and the N.V. NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE MIJVERHEID, hereafter named NATIONALE MAATSCHAPPIJ, in Brussels, on November 21, 1975, against which the ALGEMENE KAS grants it a credit of 68,000,000 francs (sixty-eight million francs) and the NATIONALE MAATSCHAPPIJ grants it a credit of 68,000,000 francs (sixty-eight million francs).

Both credits will be split up in a share 1. of 35,000,000 francs and a share 2. of 33,000,000 francs. For both shares a rate of interest will be applied in force as of January 1 1976 with the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ for like credits.

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The interests are payable half-yearly and after due date for the different shares wherein the credit is subdivided, on July 5 and on January 5 and the credits are repayable as follows:

1) Credit granted by the ALGEMENE KAS

First share ad 35,000,000 francs:

at the rate of 3,500,000 francs on July 5 of each of the years 1978 up to and including 1987;

Second share ad 33,000,000 francs:

at the rate of 3,300,000 francs on January 5 of each of the years 1978 up to and including 1987.

2) Credit granted by the NATIONALE MAATSCHAPPIJ

First share ad 35,000,000 francs:

at the rate of 3,500,000 francs on July 5 of each of the years 1978 up to and including 1987:

Second share ad 33,000,000 francs:

at the rate of 3,300,000 francs on January 5 of each of the years 1978 up to and including 1987.

To this agreement was attached an assessment list of the general conditions and an addendum to this assessment list,

a duly stamped example of this assessment list and of its addendum will remain affixed to the present deed.

The ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ have moreover made the granting of credits subordinate to the following conditions:

- 1° that the N.V. GAF (BELGIUM) accepts at the first request either from the ALGEMENE KAS or of the NATIONALE MAATSCHAPPIJ, to grant mortgage for the securing of the credits, the interests and riders as well as to guarantee payment to the order of the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ signed or yet to be signed promissory notes or their eventual renewals, in representation of these credits, on its belongings described hereafter together along with all immovable goods, including the goods immovable by destination, of which the appraiser should be the owner at the moment of execution of present mandate, and that an irrevocable mandate to establish this mortgage should be granted;
- 2° that the N.V. GAF (BELGIUM) pledges itself not to alienate said goods nor to hire out, nor in favor of a third to encumber them with any essential collateral right whatsoever without the previously received written consent of the ALGEMENE and the NATIONALE MAATSCHAPPIJ who wish that the eventual mortgage should be taken out to their advantage at the agreed-

upon rank, to wit, the rank agreed upon in the agreement of opening of credit on October 15, 1973 and November 21, 1975 whereof it is a question hereabove.

This explained, and to the end of realizing said promise to mortgage has the appearer declared herewith to appoint as special mandatories, with the possibility of replacement and the right to act together or individually

to whom it irrevocably gives mandate in order to:

I. Grant mortgage, of equal rant and in favor of the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ, on the hereafter described immovable goods, as well as on all the immovable goods including the goods immovable by destination of which the appearer would be owner at the time of the execution of this mandate, without that the appearer could ever raise contestation in that respect, as security

A. 1. of the balance of the hereabove mentioned granted credits by the ALGEMENE KAS as well as guaranty of payment of the promissory notes made out to the order of the ALGEMENE KAS signed or yet to be signed, or their eventual renewals, in representation of the credits, to the amount of ONE HUNDRED THIRTY MILLION FIVE HUNDRED THOUSAND FRANCS) in principal

, 130,500,000 francs

2. of three years' interests, calculated at the contractual interest rate of 7.90% yearly, which concerns the credit granted on October 15, 1973, and of the interest rate which was in use on January 1, 1976 by the ALGERIENE KAS, will be applied for similar credits which concern the credit granted on November 21, 1975, of which the rank is guaranteed by the Law

3. of other interests, expenditures, charges and riders such as insurance premiums against fire that would not have been paid back, interests at the legal rate of interest on the premiums of the same amount, commissions, reinvestments, bonuses, fees and honoraria of all acts of granting mortgages, of authentic recognition of debt, wages for all matriculations, honoraria of counselors, costs for legal notices and of declaration of debt recovery and, in general, all kinds of expenditures not warranted by prefecture note or mortgage, as well as indemnification of damage claims and all owed indebted amounts together estimated at SIX MILLION FIVE HUNDRED TWENTY-FIVE THOUSAND FRANCS..6,525,000 francs



B. 1° of the balance of the heretofore mentioned credits granted by the NATIONALE MAATSCHAPPIJ as well as the warranty of payment of the promissory notes to the order of the NATIONALE MAATSCHAPPIJ signed or yet to be signed, or their eventual renewals, in representation of the credits, in the amount of ONE HUNDRED THIRTY MILLION FIVE HUNDRED THOUSAND FRANCS in principal

130,500,000 francs

2° of three years' interests, calculated at the contractual rate of interests of 7.90% yearly which concerns the credit granted on October 15, 1973, and of the interest rate which was in use on January 1, 1976 by the NATIONALE MAATSCHAPPIJ will be applied for similar credits which concern the credit granted on November 21, 1975.

whereof the rank is warranted by the

law

3° of other interests, expenditures, charges and riders or insurance premiums against fires which would not have been paid back to the NATIONALE MAATSCHAPPIJ, interests at the legal rate of interest or even premiums mentioned, commissions,

per memoria

reinvestments, bonuses, fees and honoraria of all acts for setting up mortgages, of authentic recognition of debt, wages for all subscriptions, honoraria of counselors, costs for legal notices of writ and of declarations of debt recovery, and, in general, all kinds of expenditures not warranted by prefatory note or mortgage, as well as all indemnification of damage claims and all owed indebted amounts, together estimated at SIX MILLION FIVE HUNDRED TWENTY-FIVE THOUSAND FRANCS

6,525,000 francs

- II. . . Provide that the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ will have the right to seizure for security or to execute sequestration on the encumbered goods with mortgage in their favor in accordance with the law of October 10, 1967 upholding the Legal Code of Law; that the prosecutions can be exerted on the strength of the engrossed document; that the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ are freed from the obligation of having to previously let be established by authentic deed the existence and the amount thereof of their claim; that the amounts due to the ALGEMENE KAS

and the NATIONALE MAATSCHAPPIJ will appear clearly as well toward the appearing one as toward thirds, through a current statement of account drawn up by the ALGEMEENE KAS and the NATIONALE MAATSCHAPPIJ or by production of the signed receipts, or promissory notes or other documents and through one of these for the account exactly declared of the interests of the riders, expenditures and the like.

III. To renounce all formalities of the eviction not expressly prescribed by the law; give all testimonies concerning the situation of the mortgage and of the goods to be encumbered and namely that they are free and clear of all debts and mortgages and any other business-like rights whatsoever, and to oblige the one who appeared to produce the voided vouchers.

IV. To determine with authenticity the debt of the one who appears and in execution of the present mandate, to execute with authenticity the deed or deed of mortgaging and to require as well all mortgaging inscriptions as liens in favor of the ALGEMEENE KAS and the NATIONALE MAATSCHAPPIJ even without instructions of the appearer or against his instructions.

V. To oblige the appearer to the payment of expenses and fees for the drawing up of the mortgage deeds.

To these ends sign and enact all deeds, chose residence and, in general, do everything that will be necessary and useful to execute the present irrevocable mandate and if the case would demand to promise approval.

The appearer declares that she/he has not, as of yet, granted any other mandate for mortgaging with the exception of those executed on January 22, 1974 before Notary Yves Meert, in St-Niklaas, registered in St-Niklaas, first office on January 23, 1974, part 581, page 15, compartment 20, signed the receiver Fl. Huyshondt, in execution of the aforementioned agreement of October 15, 1973, and that she/he will not grant in the future without the written consent of the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ. The disbanding or amalgamation of the appearer or the death of one or several mandate holders does not herewith put an end to the present mandate given herewith.

#### DESCRIPTION OF THE GOODS

immovable goods by nature and by destination

#### SOURCE OF THE PROPERTY (immovable goods)

WHEREOF DEEL (in brevet)

IRREVOCABLE MANDATE TO PLACE A LIEN UPON A BUSINESS CONCERN

In the year

the

before Us

, Notary with address

in

, has appeared:

the Naamloze Vennootschap GAF (BELGIUM) , established by deed on May 13, 1953, published in the Annexes of the Belgisch staatsblad of May 30, 1953, under number 12,812, whose registered offices are established at 1 Industriepark in Sint-Niklaas, here represented by:

acting in accordance with articles 21 and 24 of the statutes,  
appointee

Which party, previously explained the appointment of mandates hereafter:

that it has taken cognizance of the clauses and conditions of the agreement on the opening of credit concluded with the ALGEMENE SPAAR- EN LIJFRENTESKAS, hereafter named "Algemene Kas" and the N.V. NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIJVERHEID, hereafter named "Nationale Maatschappij", in Brussels, on November 21, 1975, against which the ALGEMENE KAS grants

it a credit of 58,000,000 francs (SIXTY-EIGHT MILLION FRANCS)  
and the NATIONALE MAATSCHAPPIJ grants it a credit of 68,000,000  
francs (SIXTY-EIGHT MILLION FRANCS).

Both credits will be split up in a share 1 of 35,000,000 francs  
and a share 2 of 33,000,000 francs.

For both shares a rate of interest in force as of January  
1, 1976, with the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ  
for like credits will be applied.

The interests are payable half-yearly and after due date  
for the different portions wherein the credit is subdivided,  
on July 5 and on January 5, and the credits are repayable as  
follows:

1) Credit granted by the ALGEMENE KAS

First portion ad 35,000,000 francs:

at the rate of 3,500,000 francs on July 5 of each of the  
years 1978 up to and including 1987.

Second portion ad 33,000,000 francs:

at the rate of 3,300,000 francs on January of each of the  
years 1978 up to and including 1987.

2) Credit granted by the NATIONALE MAATSCHAPPIJ

First portion ad 35,000,000 francs:

at the rate of 3,500,000 francs on July 5 of each of the years 1978 up to and including 1987.

Second portion ad 33,000,000 francs:

at the rate of 3,300,000 francs on January 5, of each of the years 1978 up to and including 1987.

To this agreement was affixed an assessment list of the general conditions and an addendum to this assessment list; a duly stamped example of this assessment list and of its annex will remain affixed to the present deed.

The ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ have moreover made the granting of credits subordinate to the following conditions:

- 1° that the N.V. GAF (BELGIUM) accepts at the first request either of the ALGEMENE KAS or of the NATIONALE MAATSCHAPPIJ, to grant a mortgage for the security of the credits, the interests and riders and to guarantee payment to the order of the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ promissory notes signed or yet to be signed or their eventual renewals, in representation of these credits, on its belongings described hereafter and that an irrevocable mandate to establish this lien should be granted. ;

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2° that the N.V. GAF (BELGIUM) pledges itself not to alienate said goods nor to hire out, nor in favor of a third to encumber them with any collateral right whatsoever without the previously received written consent of the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ, who wish that the eventual lien should be established in their favor at the agreed-upon rank, to wit the rank agreed upon in the agreement of opening of credit on November 21, 1975, whereof it is a question hereabove.

This explained, and to the end of realizing said promised lien, has the appearer declared herewith to appoint as special mandatories, with the possibility of replacement and the right to act together or individually

to whom it irrevocably gives mandate in order to:

- I. Grant lien, of equal rank and in favor of the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ, on the business concern described hereafter, without that the appearer could ever raise contestation in that respect, as security



A. 1<sup>o</sup> of the balance of the heretofore mentioned granted credits by the ALGEMENE KAS, as well as guaranty of payment of the promissory notes made out to the order of the ALGEMENE KAS signed or yet to be signed, or their eventual renewals, in representation of the credits, to the amount of SIXTY-EIGHT MILLION FRANCS, in principal 68,000,000 francs

2<sup>o</sup> of three years' interests, calculated at the rate of interest which was in use on January 1, 1976, which will be applied by the ALGEMENE KAS for similar credits, of which the rank is guaranteed by the law;

3<sup>o</sup> of other interests, expenditures, charges and riders such as insurance premiums against fire that would not have been paid back to the ALGEMENE KAS, interests at the legal rate of interest accorded on premium of the same amount, commissions, reinvestments bonuses, fees and honoraria of counselors, costs for legal notices and of declaration of debt recovery and, in general, all kinds of expenditures not guaranteed by prefatory note or mortgage, as well as all indemnification of

damage claims and all owed indebted amounts  
together estimated at THREE MILLION FOUR HUN-  
DRED THOUSAND FRANCS 3,400,000 francs

B. 1° of the balance of the granted credits hereabove  
mentioned by the NATIONALE MAATSCHAPPIJ as well  
as guaranty of payment of the promissory notes  
made out to the order of the NATIONALE MAATSCHAP-  
PIJ, signed or yet to be signed, or their eventual  
renewals, in representation of that credit, to  
the amount of SIXTY-EIGHT MILLION FRANCS, in prin-  
cipal 68,000,000 francs

2° of three years' interests, calculated at the in-  
terest rate which was in use on January 1, 1976  
by the ALGEMENE KAS, will be applied for simi-  
lar credits, of which the rank is guaranteed by  
the law;

3° of other interests, expenditures, charges and  
riders such as insurance premiums against fire,  
that would not have been paid back to the NATIONALE  
MAATSCHAPPIJ, such as interests at the legal  
rate of interest on like premiums, of the same  
amount, commissions, reinvestments, bonuses, fees  
and honoraria of all acts of granting liens of

authentic recognition of debt, wages for all matriculations, honoraria of counselors, costs for legal notices and of declaration of debt recovery, and , in general, all kinds of expenditures not warranted by prefatory note or mortgage, as well as all indemnification of damage claims and all owed indebted amounts together estimated at THREE MILLION FOUR HUNDRED THOUSAND FRANCES 3,400,000 francs

- II. Proviso that the ALGEMENE KAS AND THE NATIONALE MAATSCHAPPIJ will have the right to seizure for security or to execute sequestration on the encumbered goods with lien in their favor that the prosecution can be exerted on the strength of the engrossed document; that the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ are freed from the obligation of having to previously let be established by authentic deed the existence and the amount thereof of their claim; that the amounts due to the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ will appear clearly as well toward the appearing one as toward thirds, through a current statement of account drawn up by the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ or by production of signed receipts, or promissory notes or other documents and through one of these for

the account exactly declared of the interests of the riders, expenditures and the like.

- III. To renounce all formalities of the eviction not expressly prescribed by the law; give all testimonies concerning the situation of the mortgage and of the business concern to be encumbered, and namely that it is free and clear of all debts and liens and any other business rights whatsoever, and to oblige the one who appears to produce the voided vouchers.
- IV. To determine with authenticity the debt of the one who appears and in execution of the present mandate, to execute with authenticity the deed or deeds of the lien and to require as well all inscriptions as liens in favor of the ALGEMEENE KAS and the NATIONALE MAATSCHAPPIJ even without instructions of the appearer or against his instructions.
- V. To oblige the appearer to the payment of expenses and fees for the drawing up of the lien.
- VI. To appoint the one who appears as guardian and depositor of the goods to be alienated for the ALGEMEENE KAS and the NATIONALE MAATSCHAPPIJ and in their favor.

se residence

To these ends sign and enact all deeds, and, in general do everything that will be necessary and useful to execute the present irrevocable mandate and if the case would demand so to promise approval.

undersigned

The appearer declares that she/he has not, as of yet, granted any other mandate for a lien of the business concern with the exception of those executed on January 22, 1974, before Notary Yves Meert, in Sint-Niklaas, registered in Sint-Niklaas, first office, on January 23, 1974, part 581, page 15, compartment 20, signed the receiver Fl. Huyshondt, in execution of the aforementioned agreement of October 15, 1973, and that she/he will not so grant in the future, without the written consent of the ALGEMENE KAS and the NATIONALE MAATSCHAPPIJ. The disbanding or amalgamation of the appearer or the death of one or several mandate holders does not put an end to the present mandate given herewith.

DESCRIPTION OF THE GOODS

1. Business concern, registered in the Handelsregister in Sint-Niklaas under number 28,346, and which the one who appeared exploits in Sint-Niklaas, or who might exploit it somewhere else later,

WHEREOF DEED (in brevet)

DEED OF SECURITY JOINT AND SEVERAL

The undersigned, GENERAL ANILINE AND FILM CORPORATION AMERICA 140 West 51 Street U.S.A. hereby declares having knowledge of the agreement dated November 21, 1975, against which conditions the ALGEMENE SPAAR- EN LIJFRENTEKAS and the NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIJVERHEID, each for one half and without being jointly and severally responsible between themselves, have granted a credit, together in the amount of ONE HUNDRED THIRTY-SIX MILLION BELGIAN FRANCS to the N.V. GAF (BELGIUM), 1 Industriepark in St-Niklaas.

The undersigned testifies herewith his complete approval to the conditions, clauses and modalities of said credits, together in the amount of ONE HUNDRED THIRTY-SIX MILLION BELGIAN FRANCS and declares to vouch therefore ONE HUNDRED THIRTY-SIX MILLION BELGIAN FRANCS in principal, as well as the interests and riders of that amount.

This security deed, guaranteed jointly and severally, warrants aforesaid amount of ONE HUNDRED THIRTY-SIX MILLION BELGIAN FRANCS in principal and as guaranty for the promissory notes, together in the amount of ONE HUNDRED THIRTY-SIX MILLION BELGIAN FRANCS, due as follows:

- promissory notes together ad 70,000,000 Belgian francs on July 5 of each of the years 1977 up to and including 1987;
- promissory notes together ad 66,000,000 Belgian francs on January 5 of each of the years 1978 up to and including 1987,

and the undersigned in accordance with the aforementioned agreement, by the N.V. GAF (BELGIUM) to the order of the ALGEMENE SPAAR-EN LIJFRENTEKAS and to the order of the NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIJVERHEID, in representation of abovementioned transaction, as well as of all eventual renewals of the promissory notes.

The undersigned pledges himself, at the first request of the ALGEMENE SPAAR- EN LIJFRENTEKAS or of the NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIJVERHEID to sign the promissory notes in question as guarantor, whose warrant is thus given in favor of each of the holders of those promissory notes.

The guarantor renounces expressly, for himself as well as for his heirs and legal successors, the privilege of expropriation and debt-splitting, as well as the privilege of article 2037 of the Belgian Civil Code; the commitments of the undersigned are indivisible, in the broadest sense of the

consequences of the indivisibility.

The undersigned recognized that, when the ALGEMENE SPAAR- EN LIJFRENTEKAS and the NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIJVERHEID have the right to request the accelerated refund of their claims, from the N.V. GAF (BELGIUM) in St-Niklaas, they have the same rights toward the guarantor.

The substitution to the advantage of the guarantor who has made a partial refund of the claims of the NATIONALE MAATSCHAPPIJ and the ALGEMENE KAS, may never prejudice said NATIONALE MAATSCHAPPIJ and ALGEMENE KAS; in that case these latter, in accordance with article 1252 of the belgian Civil Code, may use their rights for what is still due to them by priority, over those of which they received payment of a part of its claims.

The undersigned pledges himself, in connection with the guarantees provided in favor of the ALGEMENE SPAAR- EN LIJFRENTEKAS and of the NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIJVERHEID not to exercise any recuperation against the enterprise, principal debtor of the credits, nor against any of the other debtors or guarantors whomsoever, for the payments which he should have made on account of this security, as long as the claims of the ALGEMENE SPAAR- EN LIJFRENTEKAS and of the NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIJVERHEID



are not fully repaid in principal, interests, costs and riders.

The undersigned declares to unburden the ALGEMEENE SPAAR- EN LIJFRENTEKAS and the NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIJVERHEID and, in general, to unburden each holder of having the aforementioned promissory notes protested, declares them also discharged of any plea-making whatsoever, notice of non-payment foreseen in articles 45 and 77 of the Belgian coordinated laws concerning bills of exchange and promissory notes, not to appeal to the last paragraph of the above-mentioned article 45 and to renounce all exceptions and means of legal abrogation. The undersigned recognized that, notwithstanding the non-compliance of legal formalities, the interests will nonetheless continue precisely as if the formalities of which the holder has been exempted have been lived up to.

It is well understood that the holder is free to have a protest made if he deems it useful.

By deviation from article 1253 and the following of the Belgian Civil Code, the ALGEMEENE SPAAR- EN LIJFRENTEKAS and the NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIJVERHEID have the right to specify the promissory notes on which the payments made by the undersigned, will be charged.

5. C

to make partial charges on several promissory notes, or to defer the charges until the maturity date of all the promissory notes and even until the outcome of exercising all rights which the promissory notes grant them.

The undersigned recognized the competence of the Courts of Brussels, and only the application of the Belgian Law.

In

on

Berste aanhangsel aan de overeenkomst dd. 21 november 1975  
gevolgen tussen :

- 1/ de ALGEMENE SPAAR- EN LIJFRENTENKAS, Wolvengracht 48 te  
1000 Brussel ;
- 2/ de NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIJVERHEID,  
Waterloolaan 16 1000 Brussel ;
- 3/ de N.V. G/F (Belgium), Industriepark 1 te 2700 Sint-  
Hildegard.

Tussen de ondertekenaars van huidige aanhangsel wordt overeen-  
komen wat volgt :

De bijzondere voorwaarden van artikel 7, nummer 6 in de  
aankoopakte van de grond, wordt als volgt gewijzigd :

"Indien de bevoegde overheid, hetzij de Belgische Staat,  
"hetzij de Intercommunale Vereniging van het Land van Weert  
"aan ~~aanvraag~~ gebruik ~~aan~~ maken van het recht tot weder-  
"inkoop waarover hij/zij krachtens de aankoopakte dd. 25 sep-  
"tember 1975\* beschikt, zijn de NATIONALE MAATSCHAPPIJ VOOR  
"KREDIET AAN DE NIJVERHEID en de ALGEMENE SPAAR- EN LIJFREN-  
"TENKAS gerechtigd het krediet op te zeggen en onmiddellijk  
"opgehoort te stellen ongeacht de andere gronden die hieraan  
"nog zouden bestaan krachtens artikel 6 van het notieboek  
"der algemene voorwaarden gehecht aan de overeenkomst van  
"kredietopdring dd. 21 november 1975.

De overige clausules en voorwaarden van de overeenkomst dd.  
21 november 1975 blijven ongewijzigd van toepassing.

In delovoud opgemaakt te Brussel op 25 februari 1976.

N.V. G/F (Belgium)

ALGEMENE SPAAR- EN LIJFREN-  
TENKAS VAN DE NIJVERHEID

G. J. Rya  
Beleider  
Algemeen Directeur

P. T. Campagne  
Beleider

NATIONALE MAATSCHAPPIJ VOOR  
KREDIET AAN DE NIJVERHEID  
Wolvengracht, Vennootschap,

P. MEYVAERT  
Directeur

Translation

First- addendum to the agreement: dated November 21, 1975 between:

1. the ALGEMENE SPAAR- EN LIJFRENTKAS, Wolvengracht 48, 1000 Brussels;
  2. the NATIONALE MAATSCHAPPIJ VOOR KREDIET AAN DE NIVERHEID, Waterlooilaan 15, 1000 Brussels
  3. GAF (BELGIUM) N.V., Industriepark-Noord 1, 2700 Sint-Niklaas
- 

Between the undersigned of present addendum, it has been agreed as follows :

The special condition of Article 7, number 6 in connection with the purchase deed of the land, is amended as follows :

"if the competent authority, be it the Belgian Government or the Inter-communale Vereniging van het land van Waas, would exercise the right to repurchase to which they are entitled according to the purchase deed dated September 25, 1975, the Nationale Maatschappij voor Krediet aan de Nijverheid and the Algemene Spaar- en Lijfrentekas, would be empowered to cancel the loan and to ask for immediate refund of the balance of the loan still outstanding, regardless the other grounds which might exist pursuant to article 6 of the general conditions attached to the loan agreement of November 21, 1975. "

The other stipulations and conditions of the agreement of November 21, 1975 remain applicable without modification.

Made in Brussels, in triplicate, on February 25, 1976.

N.V. GAF (BELGIUM)

Algemene Spaar-en Lijfrentekas

Nationale Maatschappij voor Krediet  
aan de Nijverheid

III 1/VS/30  
KOPIE

bestemd voor de onderneming.

*Janet. Schin  
H. T. Cangara*

3200/III 1

B 1 2

N.V. GAF (Belgium)

Industriepark 1

2700 SINT-NIKLAAS

14 oktober 1976

Geachte Heeren,

Betreft : krediet van F 136.000.000,- toegestaan  
op 1 november 1975.

Ingevolge het goudrijke investeringsprogramma, waarvoor indertijd een nieuwe aanvraag tot rentetolage werd ingediend, heeft de Heer Staatssecretaris voor Streekeconomie zijn beslissing inzake rentetolage herzien.

Thans wordt U door de Heer Staatssecretaris een rentetolage van 6 % waarvan 2 % conjunctuurpremie gedurende 4 jaar verleend op grond van de wet van 30 december 1970 ; deze rentetolage wordt toegerekend op het volledig kredietbedrag. De conjunctuurpremie van 2 % gedurende 4 jaar zal worden toegerekend op de 2/3 der aanvaarde investeringen, groot F 204.530.000,-, evenwel beperkt tot elke krediettranche.

De periode van toelage gaat in op de datum van de opening van elke tranche. Voor wat betreft tranche A van F 35.000.000 gaat de periode van toelage dus in op 3 juli 1976.

Artikel 7 paragraaf 5 van de overeenkomst dd. 21 november 1975 luidt evenwel thans als volgt :

"De toekoming van de rentetolage wordt door de Staat ondergeschikt gemaakt aan de voorwaarden vervat in het bijvoegsel bij het milieukader en de volgende bijzondere voorwaarden :

./..

KOPIE

N.V. GAF (Belgium), te Sint-Niklaas.

de tewerkstelling dient op 31 december 1978 minstens 1.156 personen, waaronder ten minste 15 gehandicapten, te bedragen."

Bovendien vestigen wij er uw aandacht op dat voor iedere beslissing tot rentetoeelage die vanaf 1 januari 1975 wordt getroffen op grond van de wet van 17 juli 1959 of van 30 december 1970, de kredietinstellingen zowel uit de openbare als uit de particuliere sector er krachtens nieuwe beschikkingen toe genoopt worden voor bewuste kredietverrichtingen de contradietse rentevoet te vorderen, waarbij de toelagen slechts worden uitbetaald aan de rechthebbenden nadat de kredietinstellingen ze zelf van de Staat hebben ontvangen.

Het spreekt vanzelf dat onze Instelling niet zal nalaten te gepasten tijde de nodige schuldvorderingen in te dienen bij de Staat, zodanig dat de toelagen zo spoedig mogelijk kunnen worden vereffend.

Een doorslag van huidige brief dient ons ten spoedigste teruggestuurd, getekend namens uw vennootschap door personen die haar verbinden voor daden andere dan die van dagelijks beheer, dus door twee beheerders.

Dese personen zullen onmiddellijk onder uw maatschappelijke beveling ondertekenen met vermelding van hun naam en hoedanigheid (in drukletters).

De terugzending ervan houdt in dat U akkoord gaat met huidige schrijven en met de bijzondere voorwaarden waaraan de rentetoeelage ondergeschikt is.

De overige voorwaarden en clausules van het krediet blijven ongewijzigd.

Hoogachtend,

James T. Schwin  
Karel T. Cuperus

Translation

Letter of October 14, 1976 from the Nationale Maatschappij voor Krediet  
aar. de Nijverheid addressed to GAP (BELGIUM) N.V.

Gentlemen:

Re: Loan of BF 136.000.000 granted on November 21, 1975

Further to the changed investment programme, for which a new request for interest subsidy was entered at the time, the Secretary for Regional Economy revised his decision as to the interest subsidy.

The Secretary now granted to you a 6% interest subsidy, 2% whereof is an economic subsidy for a 4 year period of time granted in virtue of the law of December 30, 1970; this interest subsidy was granted on the full amount of the loan. The economic subsidy of 2% during a 4 year period of time will be granted on the 2/3 of the accepted investments, amounting to BF 284.538.000, limited, however, to each loan portion.

The subsidy period starts at the date of the taking up of each portion. As far as portion A amounting to BF 35.000.000 is concerned, the premium period starts July 5, 1976.

However, Article 7 § 5 of the agreement dated November 21, 1975, now reads as follows :

"The Government made the granting of the interest subsidy subject to the conditions contained in the attached specimen contract and the following special condition :

On December 31, 1978 at least 1.136 people must be employed, whereof at least 15 handicapped persons".

We also draw your attention to the fact that for each decision granting interest subsidies which is taken as from January 1, 1975 in virtue of the laws of July 17, 1959 or December 30, 1970, both the public and the private credit establishments are bound, following new dispositions, to claim for subject loan transactions the contractual interest rate, whereby the subsidies are only paid to those entitled to them after the credit establishments have themselves received them from the Government.

It is obvious that our establishment will not fail to introduce the necessary debt recovery claims with the Government, such that the subsidies can be settled as soon as possible.

A copy of the present letter is to be returned to us soonest, signed on behalf of your company by people who can engage the company for acts not pertaining to the daily business, that is by two Directors.

Both persons will sign immediately below your company name, and indicate their name and quality (typed). Returning this copy will mean that you agree with the present letter and with the special conditions to which the interest subsidy is subject.

The remaining conditions and stipulations of the loan remain unchanged.

+ + +

**EXHIBIT B(4)**



**GAF CORPORATION**

**\$65,000,000**

**9½% Senior Notes due March 31, 1991**

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**Note Agreement**

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***Dated as of April 7, 1976***

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### EXPLANATORY STATEMENT

This is a conformed composite copy of the four separate Note Agreements, dated as of April 7, 1978, between GAF Corporation and the respective Purchasers named in the Schedule of Purchasers attached hereto. Such Note Agreements are identical in form except for the signatures of the Purchasers, all of which are set forth on page 27 hereof.

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# CAF CORPORATION

140 West 31 Street

New York, N.Y. 10010

Dated as of April 7, 1978

To each of the Purchasers named in the attached Schedule of Purchasers

Dear Sir:

CAF CORPORATION (the "Company", as such term is defined in section 26), agrees with you as follows:

1. **Authorization of Notes.** The Company will authorize the issue and sale of \$85,000,000 principal amount of its 8½% Senior Notes due March 31, 1991 (the "Notes", such term to include any such notes issued in substitution therefor pursuant to section 22), to be substantially in the form attached hereto as Exhibit A-1 (herein called a "Registered Note") or Exhibit A-2 (herein called an "Order Note"), with such changes therefrom, if any, as may be approved by you and the Company. Certain other capitalized terms used herein are defined in section 26.

2. **Sale and Purchase of Notes.** The Company will issue and sell to you and, subject to the terms and conditions hereof, you will purchase from the Company, at the purchase price of 100% of the principal amount thereof, Notes in the principal amount specified opposite your name in the Schedule of Purchasers appearing at the end of this Agreement (the "Schedule of Purchasers"). Contemporaneously herewith the Company is entering into other note agreements (the "Other Note Agreements") identical to this Agreement (except for the names, addresses and signatures of the purchasers) with the other purchasers (the "Other Purchasers") named in the Schedule of Purchasers, providing for the sale to the Other Purchasers of Notes in the respective principal amounts specified opposite their names in the Schedule of Purchasers. The sales of Notes to you and to the Other Purchasers are to be separate sales, and this Agreement and each of the Other Note Agreements are to be separate agreements.

3. **Closing.** The closing of the sale and purchase of the Notes shall take place at the office of Messrs. Debevoise, Plimpton, Lyons & Gates, 299 Park Avenue, New York, N.Y., at 11:00 A.M., New York City time, on April 27, 1978 or on such other business day as may be agreed upon by you and the Company. At the closing the Company will deliver to you a single Note in the principal amount specified opposite your name in the Schedule of Purchasers (in the form of Exhibit A-1 or, if you shall so specify, Exhibit A-2, dated the closing date and registered in your name or, if in the form of such Exhibit A-2, payable to you or your order), against receipt of the purchase price of such Note by a check drawn on Federal funds payable to the order of the Company. If at the closing the Company shall fail to tender such Note to you as provided herein, or if at the closing any of the conditions specified in section 4 shall not have been fulfilled to your satisfaction, you shall, at your election, be relieved of all obligations to purchase Notes under this Agreement, without thereby waiving any other rights you may have by reason of such failure or such non-fulfillment. Nothing in this section shall operate to relieve the Company from any of its obligations hereunder or to waive any of your rights against the Company.

4. **Conditions to Closing.** Your obligation to accept and pay for the Note to be sold to you at the closing is subject to the fulfillment to your satisfaction, prior to or at the closing, of the following conditions:

4.1. *Representations and Warranties.* The representations and warranties of the Company contained in section 5 and otherwise made in writing by or on behalf of the Company in connection with the transactions contemplated hereby shall be correct when made and at the time of the closing, except as affected by the consummation of the transactions contemplated hereby.

4.2. *Performance; No Default.* The Company shall have performed and complied with all agreements and covenants contained herein required to be performed or complied with by it prior to or at the closing, and at the time of the closing no condition or event shall exist which constitutes or which, after notice or lapse of time or both, would constitute an Event of Default.

4.3. *Sale of Notes to Other Purchasers.* The Company shall have contemporaneously sold to the Other Purchasers, and shall have received payment for, all the Notes to be purchased by the Other Purchasers pursuant to the Other Note Agreement.

4.4. *Compliance Certificate.* The Company shall have delivered to you an Officers' Certificate dated the closing date, certifying that the conditions specified in sections 4.1 and 4.2 have been fulfilled.

4.5. *Opinion of Company Counsel.* You shall have received from Messrs. Fried, Fra., Harris, Shriver & Jacobson, counsel for the Company, a favorable opinion, dated the closing date and satisfactory in scope and form to you and your special counsel, to the following effect:

(a) *Incorporation, Standing, etc.* As stated in section 5.1.

(b) *Compliance, etc.* As stated in the first sentence of section 5.10 ((i) to the best of such counsel's knowledge after due inquiry, (ii) as to the Company and all Domestic Restricted Subsidiaries, and (iii) with respect to agreements and instruments, only as to agreements and instruments evidencing indebtedness for borrowed money or Funded Debt).

(c) *Governmental Consent.* As stated in section 5.11.

(d) *Investment Company Act.* As stated in section 5.16.

(e) *Note Agreement and Notes.* This Agreement and the Notes to be purchased by you at the closing have been duly authorized by all necessary corporate action on the part of the Company, have been duly executed and delivered by the duly authorized officers of the Company and constitute valid and binding obligations of the Company, enforceable in accordance with their respective terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally.

(f) *Securities Act and Trust Indenture Act.* The offer, issue, sale and delivery of the Notes under the circumstances contemplated by this Agreement constitute transactions exempt from the registration provisions of the Securities Act of 1933 as now in effect, and neither registration of the Notes thereunder nor the qualification of this Agreement under the Trust Indenture Act of 1939 as now in effect is required.

(g) *Federal Reserve Board Regulations.* The offer, issue, sale and delivery of the Notes do not involve any violation of Regulation C, Regulation T or Regulation X of the Board of Governors of the Federal Reserve System.

Such opinion shall also cover such other matters incident to the transactions contemplated hereby as you or your special counsel may reasonably request, and shall state that you are justified in relying upon the opinion of the General Counsel of the Company delivered pursuant to section 4.6.

4.6. *Opinion of General Counsel.* You shall have received from Frederick W. McNabb, Jr., Esq., General Counsel of the Company, a favorable opinion, dated the closing date and satisfactory in scope and form to you and your special counsel, as to the matters specified in clauses (a), (c) and (e) of section 4.5, and to the following effect:

(a) *Subsidiaries.* As stated in section 5.2 (except the first two sentences thereof, and with respect to each Domestic Restricted Subsidiary).

(b) *Qualification.* As stated in section 5.3 (as to the Company and all Domestic Restricted Subsidiaries, and as to Alabama, Arizona, Arkansas, Michigan, Mississippi, Vermont and each other jurisdiction in the United States of America where any real property is owned or leased or any warehouse space or sales office is maintained).

(c) *Litigation.* As stated in section 5.9 (to the best of such counsel's knowledge after due inquiry).

(d) *Compliance, etc.* As stated in the first and third sentences of section 5.10 (to the best of such counsel's knowledge after due inquiry).

4.7. *Opinion of Special Counsel.* You shall have received from Messrs. Debevoise, Plimpton, Lyons & Gates, your special counsel, a favorable opinion, dated the closing date and satisfactory in substance and form to you, as to: (a) the matters stated in sections 5.1 (except with respect to the properties and business of the Company) and 5.11; (b) the matters specified in clauses (c) and (f) of section 4.5; (c) the offer, issue, sale and delivery of the Notes not involving any violation of Regulation G of the Board of Governors of the Federal Reserve System; (d) the opinions of counsel for the Company and of the General Counsel of the Company referred to in sections 4.5 and 4.6 being satisfactory in scope and form to your special counsel and your being justified in relying thereon; (e) the execution, delivery and performance of this Agreement and the Notes not resulting in any violation of or being in conflict with any term of the Company's charter or by-laws; and (f) such other matters incident to the transactions contemplated hereby as you may reasonably request.

4.8. *Legal Investment.* At the time of the closing your purchase of Notes shall be permitted by the laws and regulations of each jurisdiction to which you are subject, without recourse to provisions permitting limited investments by life insurance companies regardless of the character of the particular investment, and the Company shall have delivered to you, if requested by you, an Officers' Certificate, dated the closing date, certifying as to such matters of fact as you may request to enable you to determine whether such purchase is so permitted.

4.9. *Proceedings and Documents.* All corporate and other proceedings in connection with the transaction contemplated hereby, and all documents and instruments incident to such transaction shall be satisfactory in substance and form to you and your special counsel, and you and your special counsel shall have received all such counterpart originals or certified or other copies of such documents as you or they may reasonably request.

4.10. *Accountant's Certificate.* You shall have received a certificate of Haskins & Sells, addressed to you, stating that in the opinion of such firm the accruals for income taxes included in the financial statements at December 31, 1975 referred to in section 5.4 are fairly stated in all respects material to the financial statements of the Company and its consolidated subsidiaries as of such date.

5. *Representations and Warranties.* The Company represents and warrants that:

5.1. *Incorporation, Standing, etc.* The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own and operate its properties, to carry on its business as now conducted, to enter into this Agreement to issue and sell the Notes and to carry out the terms hereof and thereof.

5.2. *Subsidiaries.* Exhibit B attached hereto correctly sets forth, as to each Subsidiary, its name, the jurisdiction of its incorporation, whether it is a Foreign Subsidiary or a Domestic Subsidiary and whether it is a Restricted Subsidiary or an Unrestricted Subsidiary. As of December 31,

1975, the aggregate of the net tangible assets of the Company and all Domestic Restricted Subsidiaries (calculated in the same manner as set forth in the definition of Consolidated Net Tangible Assets in section 28) constituted no less than 90% of Consolidated Net Tangible Assets. Each Subsidiary is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to own and operate its properties and to carry on its business as now conducted. Except as indicated in Exhibit B attached hereto, all the outstanding shares of Capital Stock (or equivalent interests) of each Subsidiary are validly issued, fully paid and (except insofar as liability may be imposed on stockholders by statute for nonpayment of wages) non-assessable and (except for directors' qualifying shares, if required by law) are owned beneficially by the Company, in each case free and clear of any mortgage, pledge, lien, security interest, charge or encumbrance.

**5.3. Qualification.** Except as stated in the letter, dated April 27, 1976, from the Company to you, the Company and the Subsidiaries are duly qualified or licensed as foreign corporations authorized to do business in all jurisdictions in the United States of America in which the character of the properties owned or the nature of the activities conducted makes such qualification or licensing necessary.

**5.4. Business; Financial Statements.** The Company has furnished you and your special counsel with complete and correct copies of (a) its Annual Reports to shareholders for the fiscal years ended December 31 in each of the years 1971 through 1975 (the "Annual Reports"), and (b) its Annual Report on Form 10-K for the fiscal year ended December 31, 1975 as filed with the Securities and Exchange Commission (the "Form 10-K"). The Annual Reports and the Form 10-K, taken as a whole, correctly describe the material segments of the business of the Company and the Subsidiaries. There are included in the Annual Reports and the Form 10-K consolidated financial statements of the Company and the Subsidiaries for the fiscal years ended December 31 in each of the years 1971 through 1975, accompanied by the opinions thereon of Messrs. Huskins & Sells, independent public accountants. All such financial statements were prepared in accordance with generally accepted accounting principles as in effect at the respective dates specified, applied on a consistent basis (except as set forth in the notes thereto) throughout the periods specified, and present fairly, in accordance with such principles, the financial condition of the Company and the Subsidiaries as of the respective dates specified and the results of their operations for the respective periods specified.

**5.5. Charges, etc.** Since December 31, 1975 (a) there has been no change in the assets, liabilities or financial condition of the Company and the Subsidiaries, taken as a whole, other than changes in the ordinary course of business which have not been, either individually or in the aggregate, materially adverse, (b) neither the business, operations, affairs, properties or assets of the Company and the Subsidiaries, taken as a whole, has been materially adversely affected by any occurrence or development (whether or not insured against), and (c) except as stated in the letter, dated April 27, 1976, from the Company to you, the Company has not directly or indirectly declared, ordered, paid or made, or set apart any sum or property for, any payment or investment of the kind restricted by section 14.

**5.6. Tax Returns and Payments.** The Company and the Subsidiaries have filed all tax returns required by law to be filed and have paid all taxes, assessments and other governmental charges which have been levied upon the Company or any of the Subsidiaries or upon their respective properties, assets, income or franchises and which are due and payable, other than those presently payable without penalty or interest. The federal income tax liabilities of the Company and the Subsidiaries have been audited by the Internal Revenue Service, and their tax liability has been finally determined and paid for, or the statute of limitations has run with respect to, all fiscal periods through December 31, 1969. In the opinion of the Company the charges, accruals and reserves on the books of the Company and the Subsidiaries in respect of federal and state income taxes for all fiscal periods are adequate. The Company knows of no unpaid assessment for additional federal or state income taxes for any period, or any basis for any such assessment, which has not been provided for in such accruals or reserves. No

employee benefit plan established or maintained by, or to which contributions have been made by, the Company or any Restricted Subsidiary or both, which is subject to Part 3 of Subtitle B of Title 1 of the Employee Retirement Income Security Act of 1974, as amended and in effect, had an accumulated funding deficiency (as such term is defined in Section 308 of that Act) as of the last day of the most recent fiscal year of such plan ended prior to the date hereof, or would have had an accumulated funding deficiency (as so defined) on such day if such year were the first year of such plan to which Part 3 of Subtitle B of Title 1 of that Act applied, and no material liability to the Pension Benefit Guaranty Corporation has been incurred with respect to any such plan by the Company or by any Restricted Subsidiary.

5.7. *Funded Debt.* Exhibit C attached hereto correctly describes all Funded Debt of the Company and the Subsidiaries outstanding on the date hereof. Neither the Company nor any Subsidiary is in default with respect to any Funded Debt or any instrument or agreement relating thereto, and except as indicated in such Exhibit C no such instrument or agreement contains any restriction on the incurrence by the Company of additional Funded Debt.

5.8. *Title to Properties; Leases.* The Company and the Subsidiaries have good and marketable title to their respective real properties and good and adequate title to their respective other properties and assets, in each case including the properties and assets reflected in the consolidated financial statements as of December 31, 1973 referred to in section 5.4 (except (a) properties and assets disposed of since such date in the ordinary course of business and (b) properties and assets which, in the aggregate, are not material for the Company and the Subsidiaries, taken as a whole), and none of such properties or assets is subject to any mortgage, pledge, lien, security interest, charge or encumbrance, except such as are of the character permitted by any of subdivisions (a) through (o) of section 11. Except as set forth in Exhibit C attached hereto, none of the properties or assets reflected in such financial statements or acquired since the date thereof is held by the Company or any Subsidiary as leases under any lease, including any lease which has been capitalized for financial reporting purposes, (except for leasehold improvements which, in each case, have been and are being duly amortized over the term of the lease involved) or as conditional sales under any conditional sale or other title retention agreement. The Company and the Subsidiaries enjoy peaceful and undisturbed possession under all leases of real property on which facilities operated by them are situated, and all such leases are valid and subsisting and are in full force and effect. Except for financing statements relating solely to (r) mortgages, pledges, liens, security interests, charges or encumbrances permitted by any of subdivisions (a) through (o) of section 11 or (y) mortgages, pledges, liens, security interests, charges or encumbrances on properties and assets which, in the aggregate, are not material for the Company and the Subsidiaries, taken as a whole, no presently effective financing statement under the Uniform Commercial Code which names the Company or any Subsidiary as debtor has been filed in any jurisdiction, and neither the Company nor any Subsidiary has signed any such financing statement or any presently effective security agreement authorizing any secured party thereunder to file any such financing statement.

5.9. *Litigation, etc.* There is no action, proceeding or investigation pending or threatened (or any basis therefor known to the Company) which questions the validity of this Agreement, the Notes or any action taken or to be taken pursuant hereto or thereto or, except as stated in the Form 10-K, which might result, either individually or in the aggregate, in any material adverse change in the business, operations, affairs, condition, properties or assets of, or in any material liability on the part of, the Company and the Subsidiaries, taken as a whole.

5.10. *Compliance with Other Instruments.* The execution, delivery and performance of this Agreement and the Notes will not (a) result in any violation of, be in conflict with or constitute a default under any term of the charter or by-laws of the Company or any of the Subsidiaries or any term of any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation



applicable to the Company or any of the Subsidiaries or (b) result in the creation of any mortgage, pledge, lien, security interest, charge or encumbrance upon any of the properties or assets of the Company or any of the Subsidiaries pursuant to any such term. There is no such term which materially adversely affects or in the future may (so far as the Company can now foresee) materially adversely affect the business, operations, affairs, condition, properties or assets of the Company and the Subsidiaries, taken as a whole. Neither the Company nor any of the Subsidiaries is in violation of any term of its charter or by-laws or any term of any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to the Company or any of the Subsidiaries, the enforcement of which might result, either individually or in the aggregate, in any material adverse change in the business, operations, affairs, condition, properties or assets of the Company and the Subsidiaries, taken as a whole.

**5.11. Governmental Consent.** No consent, approval or authorization of, or declaration or filing with, any governmental authority on the part of the Company is required for the valid execution and delivery of this Agreement or the valid offer, issue, sale and delivery of the Notes.

**5.12. Patents, Trademarks, etc.** Except as indicated on page 24 of the Form 10-K, the Company and the Subsidiaries own or hold all patents, trademarks, service marks, trade names, copyrights, franchises and licenses, and all rights with respect to the foregoing, necessary for the conduct of their respective businesses substantially as now conducted, without any known material conflict with the rights of others.

**5.13. Offer of Notes.** Neither the Company nor anyone acting on its behalf has directly or indirectly offered the Notes or any part thereof or any similar securities for sale to, or solicited any offer to buy any of the same from, anyone other than you, the Other Purchasers and not more than 10 other institutional investors, and neither the Company nor anyone acting on its behalf will take any action which would require the registration of the Notes pursuant to section 5 of the Securities Act of 1933, as amended.

**5.14. Use of Proceeds.** The Company will apply the net cash proceeds of the sale of the Notes to retire outstanding Funded Debt of the Company described in Items 1 and 2 of Exhibit C attached hereto.

**5.15. Federal Reserve Regulations.** The Company will not, directly or indirectly, use any of the proceeds of the sale of the Notes for the purpose of purchasing or carrying any "margin security" within the meaning of Regulation G of the Board of Governors of the Federal Reserve System (12 C.F.R. 207, as amended), or otherwise take or permit any action in connection with this Agreement, the Other Note Agreements or the Notes which would involve a violation of such Regulation G, Regulation T (12 C.F.R. 220), Regulation X (12 C.F.R. 224) or any other regulation of the Board of Governors of the Federal Reserve System. No indebtedness or Funded Debt being reduced or retired out of the proceeds of the issuance and sale of the Notes was incurred for the purpose of purchasing or carrying any "margin security" within the meaning of such Regulation G.

**5.16. Investment Company Act.** The Company is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

**5.17. Public Utility Holding Company Act.** The Company is not a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company" as such terms are defined in the Public Utility Holding Company Act of 1935, as amended.

5.15. *Trading with the Enemy Act, etc.* Neither this Agreement nor any transaction contemplated hereby is in violation of the Trading with the Enemy Act or of Executive Order 8389, 9193 or 9809, as amended, of the President of the United States issued pursuant to such Act, or any regulations issued thereunder, including the following regulations of the United States Treasury Department (31 C.F.R. Subtitle B, Chapter V, as amended): the Foreign Funds Control Regulations, the Transaction Control Regulations, the Foreign Assets Control Regulations and the Cuban Assets Control Regulations; nor will the proceeds of the issue of the Notes be used by the Company in a manner that would violate any such Executive Order or regulations. Neither this Agreement nor any transaction contemplated hereby is in violation of the Rhodesian Sanctions Regulations of the United States Treasury Department (31 C.F.R. Subtitle B, Chapter V, as amended), and the proceeds of the issue of the Notes under this Agreement will not be used in a manner which would violate such Regulations.

5.19. *Disclosure.* Neither this Agreement nor any other document, certificate, instrument or written statement furnished to you by or on behalf of the Company in connection with the transactions contemplated hereby contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading. There is no fact known to the Company which materially adversely affects or in the future may (so far as the Company can now foresee) materially adversely affect the business, operations, affairs, condition, properties or assets of the Company and the Subsidiaries, taken as a whole, which has not been set forth in this Agreement or in the other documents, certificates, instruments or written statements furnished to you in connection with the transactions contemplated hereby.

5.20. *Net Earnings Available for Fixed Charges.* The net earnings available for fixed charges of the Company and subsidiary institutions, consolidated as required pursuant to section 81(2) of the New York Insurance Law, for the period of five fiscal years ended December 31, 1975 have averaged per year not less than one and one-half times their average consolidated annual fixed charges applicable to such period, and during the fiscal year ended December 31, 1975 such net earnings available for fixed charges were not less than one and one-half times their consolidated fixed charges for such year. As used in this section, the terms "net earnings available for fixed charges", "subsidiary institutions" and "fixed charges" have the meanings assigned to them in section 81(2) of the New York Insurance Law.

6. *Purchase for Investment.* You represent that you are purchasing the Notes being purchased by you for your own account for investment and not with a view to the distribution thereof; provided that the disposition of your property shall at all times be within your control.

7. *Accounting; Financial Statements and Other Information.* The Company will maintain, and will cause each of the Restricted Subsidiaries to maintain, a system of accounting established and administered in accordance with generally accepted accounting principles, and will set aside on its books, and will cause each of the Restricted Subsidiaries to set aside on its books, all such reserve reserves as shall be required by generally accepted accounting principles. The Company will deliver (duplicate) to you, so long as you or any of your Affiliates is the holder of any Notes, and to each other holder of at least 5% in principal amount of the Notes at the time outstanding which is an institutional investor:

(a) within 60 days after the end of each of the first three quarterly fiscal periods in each fiscal year of the Company, consolidated balance sheets of the Company and the Restricted Subsidiaries as at the end of such period and consolidated statements of income and retained earnings of the Company and the Restricted Subsidiaries for such period and (in the case of the second and third quarterly periods) for the period from the beginning of the current fiscal year to the end of such quarterly period, setting forth in each case in comparative form the consolidated figures for the corresponding periods of the previous fiscal year, all in reasonable detail, together with a certificate

of a principal officer of the Company stating that (except as specified in such certificate) such financial statements fairly present the consolidated financial condition of the Company and the Restricted Subsidiaries as at the end of the periods indicated and the consolidated results of their operations for such periods, subject in each case to changes resulting from year-end audit adjustments;

(b) within 120 days after the end of each fiscal year of the Company, a balance sheet of the Company and the Restricted Subsidiaries as at the end of such year and a statement of income and of retained earnings of the Company and the Restricted Subsidiaries for such year, setting forth separately (i) figures for the Company, (ii) consolidated figures for all Foreign Restricted Subsidiaries, (iii) consolidated figures for all Domestic Restricted Subsidiaries, (iv) consolidated figures for all Restricted Subsidiaries, and (v) consolidated figures for the Company and all Restricted Subsidiaries and setting forth in each case in comparative form the corresponding figures for the previous fiscal year; all in reasonable detail and, in the case of such consolidated figures of the Company and the Restricted Subsidiaries, accompanied by the report thereon of independent public accountants of recognized national standing selected by the Company, which report shall state that (except as specified in such report) such financial statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with prior fiscal years and fairly present the consolidated financial condition of the Company and the Restricted Subsidiaries as of the end of such year and the consolidated results of their operations for such year and that the audit by such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards;

(c) together with each delivery of financial statements pursuant to subdivisions (a) and (b) above, an Officers' Certificate (i) stating that the signers have reviewed the terms of this Agreement and of the Notes and have made, or caused to be made under their supervision, a review of the operations, transactions and condition of the Company and the Restricted Subsidiaries during the accounting period covered by such financial statements and that such review has not disclosed the existence during or at the end of such accounting period, and that the signers do not have knowledge of the existence, as at the date of such Officers' Certificate, of any condition or event which constitutes or which, after notice or lapse of time or both, would constitute an Event of Default, or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action the Company has taken, is taking or proposes to take with respect thereto, (ii) specifying the amount available at the end of such accounting period for payments, distributions and investments of the kinds restricted by section 14 in compliance with such section and showing in reasonable detail all calculations required in arriving at such amount, and (iii) in the case of an Officers' Certificate submitted together with a delivery of financial statements pursuant to subdivision (b) above, demonstrating in reasonable detail compliance with the restrictions contained in sections 10 and 13.1, subdivisions (c) and (e) of section 15 and sections 16.2 and 17;

(d) together with each delivery of financial statements pursuant to subdivision (b) above, a certificate by the independent public accountants giving the report thereon (i) stating that their examination in connection with their report referred to in the preceding subdivision (b) has included the usual tests of accounting records and other auditing procedures and a review of the terms of this Agreement and of the Notes as they relate to accounting matters but that such examination would not necessarily reveal the existence of an Event of Default, (ii) stating whether or not such examination has disclosed the existence during the fiscal year covered by such financial statements (and stating whether or not they have knowledge of the existence as at the date of such accountants' certificate) of any condition or event which constitutes or which, after notice or lapse of time or both, would constitute an Event of Default, and, if such examination has disclosed (or if they have knowledge of) such a condition or event, specifying the nature and period of existence thereof, and (iii) stating that they have examined the annual Officers'

Certificate delivered therewith pursuant to subdivision (c) above and confirming the matters set forth in such Officers' Certificate pursuant to clauses (ii) and (iii) of such subdivision (c):

(e) promptly upon receipt thereof, copies of (i) all audit reports submitted to the Company by independent public accountants in connection with each annual, interim or special audit of the books of the Company or the Company and any of the Restricted Subsidiaries made by such accountants and (ii) all other reports submitted to the Company by such accountants in connection with any special audit of the books of the Company or the books of the Company and the Restricted Subsidiaries, which reports contain information of material significance for the business, operations, affairs, properties or assets of the Company and the Restricted Subsidiaries, taken as a whole;

(f) promptly upon the sending, making available or filing of the same, copies of all financial statements, reports, notices and proxy statements sent by the Company to its shareholders, and of all regular and periodic reports and any registration statement or prospectus filed by the Company or any of the Restricted Subsidiaries with the Securities and Exchange Commission or any governmental authority succeeding to any of its functions;

(g) forthwith upon any officer of the Company obtaining knowledge of any condition or event which constitutes or which, after notice or lapse of time or both, would constitute an Event of Default, an Officers' Certificate specifying the nature and period of existence thereof and what action the Company has taken or is taking or proposes to take with respect thereto; and

(h) with reasonable promptness, such other information and data with respect to the Company or any of the Restricted Subsidiaries as from time to time may be reasonably requested.

8. *Inspection.* The Company will permit any authorized representatives designated by you or any of your Affiliates, so long as you or any of your Affiliates is the holder of any Notes, or by any other holder of at least 10% in principal amount of the Notes at the time outstanding, which is an institutional investor, at your, your Affiliate's, or such holder's expense, for any proper purpose relating to your, your Affiliate's or such holder's investment in the Notes, to visit any of the properties of the Company or any Restricted Subsidiary where any books of account of the Company or any Subsidiary are kept, and to inspect such books of account, and to make copies and take extracts from such books of account, and to discuss its and their affairs, finances and accounts with its and their officers and independent public accountants (and by this provision the Company authorizes such accountants to discuss with you or such holder the finances and affairs of the Company and the Restricted Subsidiaries), all at such reasonable times and as often as may be reasonably requested. If any Event of Default shall occur and be continuing, the Company will permit any such representative, for any such purpose, so to visit and inspect any properties of the Company or any Restricted Subsidiary. Notwithstanding any provision in this section 8, the Company (a) shall not be required to give any such representative access to information concerning formulas, processes or other confidential scientific or engineering matters or commercial trade secrets and (b) shall be given a reasonable opportunity upon reasonable notice to have an officer of the Company accompany any such representative during any such visit or any discussion with such accountants.

9. *Prepayment of Notes.* 9.1. *Required Prepayments.* On March 31, 1992, and on each March 31 thereafter so long as any Notes shall be outstanding, the Company will prepay \$5,000,000 principal amount of the Notes (or such lesser principal amount as shall then be outstanding) at the principal amount of the Notes so prepaid, without premium. No partial prepayment of the Notes pursuant to section 9.2 or 9.3 shall relieve the Company from its obligation to make the required prepayments provided for in this section 9.1.

9.2. *Optional Prepayments without Premium.* On each March 31 when a prepayment is required to be made pursuant to section 9.1, the Company may, at its option, upon notice as provided in section

9.5, prepay an additional principal amount of the Notes (which is an integral multiple of \$10,000 but not less than \$100,000) not exceeding the amount of such required prepayment, at the principal amount of the Notes so prepaid, without premium; provided that no such optional prepayment shall be permitted if, after giving effect thereto, the aggregate principal amount of Notes prepaid pursuant to this section 9.2 shall exceed 300% of such required prepayment. The right to make optional prepayments pursuant to this section 9.2 shall be noncumulative and shall lapse if and to the extent not exercised in any year.

9.3. *Optional Prepayments with Premium.* The Company may, at its option, upon notice as provided in section 9.5, prepay at any time all or from time to time any part (which is an integral multiple of \$10,000 but not less than \$100,000) of the Notes, at the principal amount of the Notes so prepaid, plus the premium (a percentage of such principal amount) applicable in accordance with the following table, depending on the 12-month period in which the date fixed for such prepayment occurs:

12-Month Period Commencing April 1	Premium	12-Month Period Commencing April 1	Premium
1976	4.500%	1983	4.754%
1977	4.822	1984	4.076
1978	5.144	1985	3.398
1979	7.466	1986	2.720
1980	6.788	1987	2.042
1981	6.110	1988	1.364
1982	5.432	1989	0.686

and without premium thereafter.

9.4. *Restriction Regarding Source of Prepayment Funds.* Prior to March 31, 1989, no prepayment under section 9.2 or 9.3 may be made, directly or indirectly, in whole or in part, from or in anticipation of the proceeds (or any part of the proceeds) of any indebtedness for borrowed money or any Funded Debt (whether or not for borrowed money) directly or indirectly incurred or to be incurred by the Company or any of the Subsidiaries, if such indebtedness or Funded Debt has (a) an interest rate or an effective interest cost (determined in accordance with generally accepted financial practice) of less than 9½% per annum, or (b) a Weighted Average Life to Maturity at the time of such prepayment which is less than the remaining Weighted Average Life to Maturity of the Notes at such time.

9.5. *Notice of Optional Prepayments.* The Company will give each holder of any Notes written notice of each optional prepayment under section 9.2 or 9.3 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment, specifying such date, the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid on such date, the premium, if any, applicable to such prepayment and the section hereof pursuant to which such prepayment is to be made. Each such notice of a prepayment to be made prior to March 31, 1988 under section 9.2 or 9.3 shall be accompanied by an Officers' Certificate certifying that the conditions of section 9.4 have been fulfilled in connection with such prepayment and specifying the source of the funds used for such prepayment.

9.6. *Allocation of Partial Prepayments.* In the case of each partial prepayment pursuant to this section 9, the principal amount of the Notes to be prepaid shall be allocated among the Notes at that time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment, with adjustments, to the extent practicable, to compensate for any prior prepayments not made exactly in such proportion.

9.7. *Maturity; Surrender, etc.* In the case of each prepayment, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment.

together with interest on such principal amount accrued to such date and the applicable premium, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and premium, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

**9.8. Purchase of Notes.** The Company will not, and will not permit any of the Subsidiaries or any of its Affiliates to, purchase, redeem, retire or otherwise acquire any Note except upon the payment or prepayment thereof in accordance with the terms hereof and thereof or pursuant to an offer made on the same terms to the holders of all the Notes at the time outstanding.

**10. Indebtedness.** The Company will not

(a) directly or indirectly, contingently or otherwise, create, incur, assume, guarantee or otherwise become liable for any Senior Funded Debt;

(b) permit any Foreign Restricted Subsidiary, directly or indirectly, contingently or otherwise, to create, incur, assume, guarantee or otherwise become liable for any Funded Debt;

(c) permit any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to create, incur, assume, guarantee or otherwise become liable for any Funded Debt secured by any mortgage or other lien permitted by subparagraph (b), (k), (l), (m), (n) or (o) of section 11;

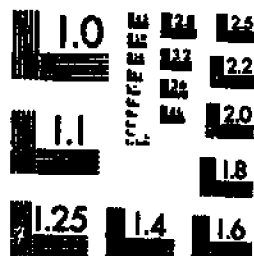
(d) acquire, or permit any Restricted Subsidiary to acquire, directly or indirectly, any Capital Stock issued by a corporation if as a result of such acquisition such corporation will become a Restricted Subsidiary having any Funded Debt (including any Preferred Stock deemed to constitute Funded Debt) outstanding (other than any such Funded Debt owed to or owned by the Company or a Wholly-owned Restricted Subsidiary); or

(e) designate as a Restricted Subsidiary any Unrestricted Subsidiary.

unless immediately after giving effect thereto, Consolidated Net Tangible Assets shall be at least equal to 250% of Consolidated Senior Funded Debt and at least equal to 200% of Consolidated Funded Debt; provided, however, that nothing contained in this section 10 shall prevent the Company from creating, incurring or assuming Senior Funded Debt for the purpose of extending, renewing, or refunding not more than an equal principal amount of Senior Funded Debt then outstanding of the Company or Funded Debt then outstanding of a Restricted Subsidiary. In case any Restricted Subsidiary shall sell, transfer or otherwise dispose of any Senior Funded Debt owing by the Company, or in case (pursuant to section 15) the Capital Stock of any Restricted Subsidiary which holds Senior Funded Debt owing by the Company shall be sold, transferred or otherwise disposed of, such sale, transfer or disposition, for purposes of this section 10, shall be deemed to constitute the creation of such Senior Funded Debt.

**11. Mortgages, Liens, etc.** The Company will not at any time directly or indirectly create, incur, incur or suffer to exist, and will not permit any Restricted Subsidiary to create, incur, assume or suffer to exist (except in favor of the Company or a Wholly-owned Restricted Subsidiary), any mortgage, pledge or other lien or encumbrance of or upon any of its properties, real or personal, whether now owned or hereafter acquired, or of or upon any income or profits therefrom, or acquire or agree to acquire any property or assets subject to any conditional sales agreement or other title retention agreement; except that, subject to compliance with section 10, the Company may, and may permit any Restricted Subsidiary to create, incur, assume or suffer to exist the following mortgages, pledges, liens or encumbrances:

(a) mortgages, pledges, liens and encumbrances existing on the date hereof and described in Exhibit C attached hereto;



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## DISCLOSURE<sup>®</sup>

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(b) the following mortgages and liens in connection with the acquisition or construction of property acquired or constructed hereafter:

(i) any purchase money mortgage or other purchase money lien on property so acquired or constructed (including vendors' or lenders' rights under conditional sales and other title retention agreements), or any mortgage or other lien on property so acquired or constructed created as security for moneys borrowed (at the time of or within 90 days after the purchase or during or within 90 days after the construction of such property) solely to provide funds for the purchase or construction of such property, or any mortgage or other lien on any property so acquired which exists at the time of the acquisition thereof; *provided*, in each case, that such mortgage or other lien is limited to such acquired or constructed property (and accretions thereto and, in the case of construction, any real property on which such construction occurs and which was unimproved at the time such construction was commenced) and that the aggregate amount of the indebtedness secured by such mortgage or other lien does not exceed 90% (or, in the case of equipment, materials and supplies purchased in the ordinary course of business, 100%) of the cost to the Company or such Restricted Subsidiary of such acquired or constructed property or of the value thereof at the time of acquisition or construction, as determined by the Company, whichever is lower; and

(ii) any mortgage or other lien created in connection with the refunding, renewal or extension of any indebtedness secured by a mortgage or lien mentioned in the foregoing clause (i) and which is limited to the same property, *provided* that there shall not be an increase in the amount of the indebtedness secured by such refunding, renewal or extended mortgage or other lien;

(c) mechanics', materialmen's, carriers' or other like liens, and pledges or deposits made in the ordinary course of business to obtain the release of any such liens or the release of property in the possession of a common carrier; good faith deposits in connection with tenders, leases of real estate or bids or contracts (other than contracts involving the borrowing of money); pledges or deposits to secure public or statutory obligations; deposits to secure (or in lieu of) surety, stay, appeal or customs bonds; and deposits to secure the payment of taxes, assessments, customs duties or other similar charges;

(d) any lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation, which is required by law or governmental regulation as a condition to the transaction of any business, or the exercise of any privilege or license, or to enable the Company or a Restricted Subsidiary to maintain self-insurance or to participate in any arrangements established by law to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, old age pensions, social security or similar matters;

(e) the liens of taxes, assessments or other governmental charges or levies not at the time due, or the validity of which is being contested in good faith and otherwise in compliance with section 20;

(f) judgment liens, so long as the finality of such judgment is being contested in good faith and execution thereon is stayed;

(g) easements or similar encumbrances, the existence of which does not materially impair the use of the property subject thereto for the purposes for which it is held or was acquired;

(h) the landlord's interest under any lease of property;

(i) leases granted to others in the ordinary course of business;

(j) liens, pledges or deposits made in connection with contracts with or made at the request of the United States of America or any department or agency thereof, insofar as such liens, pledges



or deposits relate to property manufactured, installed or constructed by or to be supplied by, or property furnished to, the Company or a Restricted Subsidiary pursuant to, or to enable the performance of, such contracts, or property the manufacture, installation, construction or acquisition of which is financed by the United States of America or any department or agency thereof pursuant to, or to enable the performance of, such contracts; or deposits or liens, made pursuant to such contracts, of or upon money advanced or paid pursuant to, or in accordance with the provisions of, such contracts, or of or upon any materials or supplies acquired for the purpose of the performance of such contracts; or the assignment or pledge to any person, firm or corporation, to the extent permitted by law, of the right, title and interest of the Company or a Restricted Subsidiary in and to any contract with the United States of America or any department or agency thereof, or in and to any payments due or to become due thereunder, to secure indebtedness incurred and owing to such person, firm or corporation for funds or other property supplied, constructed or installed for or in connection with the performance by the Company or such Restricted Subsidiary of its obligations under such contract;

(k) any mortgage or lien on certified pollution control facilities (as defined in section 169(d) of the Internal Revenue Code, as amended) which secures only Indebtedness of the Company or a Restricted Subsidiary incurred for the purpose of financing the acquisition or construction of such facilities;

(l) any mortgage or lien on a property owned or leased by the Company or a Restricted Subsidiary securing only Indebtedness of the Company or such Restricted Subsidiary relating to the issuance of industrial development bonds (as defined in section 103(c) '2) of the Internal Revenue Code, as amended) for the purpose of financing the acquisition or construction of such property;

(m) any mortgage, lien, charge or encumbrance on properties of GAF (Belgium) N.V. securing Indebtedness of GAF (Belgium) N.V. incurred pursuant to certain loan agreements, dated November 21, 1975 and October 15, 1973, with Algemene Spaar-en Lijfrentekas and Nationale Maatschappij Voor Krediet Aan de Nijverheid; *provided*, that the aggregate principal amount of such Indebtedness at any time outstanding shall not exceed 261,000,000 Belgian francs;

(n) the extension, renewal or replacement of any mortgage, lien, charge or encumbrance permitted by any of the preceding paragraphs (k), (l) and (m) of this section 11 which is confined to the same property theretofore subject thereto and does not increase the principal amount of the Indebtedness secured thereby immediately prior to such extension, renewal or replacement;

(o) any mortgage or lien securing only rental obligations of the Company or any Restricted Subsidiary under a lease of the property subject to such mortgage or lien, which lease is capitalized by the Company or such Restricted Subsidiary in accordance with generally accepted accounting principles for financial reporting purposes; and

(p) any mortgage or other lien securing Indebtedness of a corporation which is a successor to the Company to the extent permitted by section 10.1 hereof, or securing Indebtedness of a Restricted Subsidiary outstanding at the time it became a Restricted Subsidiary, and any mortgage or other lien created in connection with the refunding, renewal or extension of such Indebtedness which is limited to the same property; *provided* that there shall not be an increase in the amount of the Indebtedness secured by such refunding, renewal or extended mortgage or other lien.

**12. Subsidiary Indebtedness and Stock. 12.1. Subsidiary Indebtedness.** The Company will not permit any Domestic Restricted Subsidiary, directly or indirectly, contingently or otherwise, to create, incur, assume, guarantee or otherwise become liable for, or to suffer to exist, any Indebtedness for borrowed money or Funded Debt except (a) Indebtedness for borrowed money or Funded Debt owed to the Company or a Wholly-owned Restricted Subsidiary, (b) subject to compliance with section 10, Indebtedness for borrowed money or Funded Debt secured by mortgages or other liens permitted by subparagraph (a), (b), (k), (l), (m), (n) or (o) of section 11, (c) subject to compliance with sec-

tion 10 and paragraphs (c) and (d) of section 15, Indebtedness for borrowed money or Funded Debt outstanding at the time such Restricted Subsidiary became a Restricted Subsidiary, and (d) Funded Debt created, incurred or assumed for the purpose of extending, renewing or refunding not more than an equal principal amount of Funded Debt then outstanding of such Restricted Subsidiary.

**12.2. Subsidiary Stock.** The Company will not permit

(a) any Domestic Restricted Subsidiary to have outstanding any Preferred Stock other than Preferred Stock owned by the Company or a Wholly-owned Restricted Subsidiary or, subject to subdivision (c) of section 15, Preferred Stock outstanding at the time such Restricted Subsidiary became a Restricted Subsidiary,

(b) any Restricted Subsidiary to have outstanding more than one class of Common Stock unless more than 50% of the outstanding shares of each class of Common Stock is owned by the Company or by one or more of the other Restricted Subsidiaries or by the Company and one or more of the other Restricted Subsidiaries;

(c) any Restricted Subsidiary to issue or sell any Capital Stock of such Restricted Subsidiary to any person other than the Company or a Wholly-owned Restricted Subsidiary, except for (i) shares of Common Stock issued or sold solely for the purpose of qualifying directors, (ii) shares of Common Stock issued for the purpose of paying a *pro rata* stock dividend on the Common Stock of such Restricted Subsidiary, and (iii) additional shares of Common Stock sold in a subscription offer to the holders of the outstanding shares of Common Stock of such Restricted Subsidiary provided that the Company and the other Restricted Subsidiaries shall acquire a portion of such additional shares at least equal to the proportion of the outstanding shares of Common Stock of such Restricted Subsidiary theretofore owned by them; or

(d) any Unrestricted Subsidiary to own any Capital Stock of a Restricted Subsidiary.

**13. Restricted Leases.** **13.1. Leases of Real Property.** The Company will not, and will not suffer or permit any Restricted Subsidiary to, create, assume or incur, or in any manner become liable for, any rental obligations under any lease of real property (exclusive of an Excepted Lease) unless, immediately after giving effect thereto, Consolidated Net Tangible Assets shall be at least equal to 250% of Consolidated Senior Funded Debt and at least equal to 200% of Consolidated Funded Debt.

**13.2. Extensions and Renewals.** If the Company or any Restricted Subsidiary extends or renews any lease, such extension or renewal shall be deemed to be a new lease. Notwithstanding the provisions of this section 13 or of section 10, the Company or any Restricted Subsidiary shall be entitled to extend or renew any lease if the initial amount of Capitalized Rent under such extension or renewal does not exceed the initial amount of Capitalized Rent under such lease.

**13.3. Rental Obligations of Corporations Becoming Restricted Subsidiaries.** In case any corporation shall become a Restricted Subsidiary after the date hereof and shall at the time be liable in respect of any rental obligations under any lease of real property, such corporation shall be deemed to have created and become liable in respect of such rental obligations at such time.

**14. Restricted Payments and Investments.** **14.1. Restricted Payments and Investments in Unrestricted Subsidiaries.** The Company will not declare any dividend (other than a dividend or stock split payable solely in Capital Stock of the Company) on any Capital Stock of the Company or make any payment on account of the purchase, redemption or other retirement of any shares of such stock or make any distribution in respect thereof, either directly or indirectly, and the Company will not, and will not permit any Restricted Subsidiary to, make any investment in any Unrestricted Subsidiary, unless any such dividend is declared to be payable not more than 90 days after the date of declaration, and unless, after giving effect to such proposed dividend or other payment, distribution or investment

and to any other dividends declared but not yet paid, at the date (hereinafter called the "Computation Date") of such declaration (in the case of a dividend) or of such other payment, distribution or investment, the sum of

(a) \$25,000,000, plus (or minus in the case of a deficit)

(b) Consolidated Net Income computed for the period commencing January 1, 1976 to and including the end of the last fiscal quarter of the Company next preceding forty-five days prior to the Computation Date, plus

(c) the aggregate amount of the net cash proceeds to the Company from sales subsequent to December 31, 1975 of shares of its Capital Stock,

shall be greater than the sum of

(d) the aggregate amount of all such dividends declared and all such other payments and distributions made during the period from January 1, 1976 to and including the Computation Date, plus

(e) the excess, if any, of (i) the amount of the aggregate unliquidated investment (computed as hereinbelow provided) on the Computation Date of the Company and all Restricted Subsidiaries in Unrestricted Subsidiaries, over (ii) \$22,095,430, being the amount of the aggregate unliquidated investment (so computed) on December 31, 1975 of the Company and all Restricted Subsidiaries in Unrestricted Subsidiaries;

*provided*, however, that without regard to the foregoing restrictions of this section 14, (x) the Company may retire any shares of any class of its stock by exchange for, or out of the proceeds of the substantially concurrent sale of, other shares of its stock, and neither any such retirement nor any such proceeds so used shall be included in any computation provided for in this section 14 and (y) the Company may make investments in or payments to any Person if such Person becomes a Restricted Subsidiary simultaneously therewith.

**14.2. Computation.** For purposes of this section 14,

(a) the issuance of Capital Stock upon the conversion of any Indebtedness of the Company shall be deemed to constitute a sale for cash of such Capital Stock, and the proceeds of such sale shall be deemed to be an amount equal to the principal amount of such Indebtedness, less applicable expenses and cash payment for fractional shares;

(b) the amount of any dividend declared or other payment or distribution made in property other than cash, and the amount of any investment in an Unrestricted Subsidiary made through the transfer to it of any such property, shall be deemed to be the fair value (as determined by the Board of Directors of the Company) of such property at the time of declaration (in the case of dividends) or at the time of payment or distribution or investment; and

(c) the aggregate unliquidated investment of the Company and the Restricted Subsidiaries in any Unrestricted Subsidiary shall be computed in accordance with generally accepted accounting principles (subject to the preceding paragraph (b)) and shall include all investments by means of stock purchase, loan, advance, capital contribution or otherwise; *provided*, however, that

(i) amounts invested by the Company by means of the issue or transfer of shares of Capital Stock of the Company shall be disregarded;

(ii) undistributed earnings of an Unrestricted Subsidiary shall not be included;

(iii) there shall not be deducted from the amounts invested in any Unrestricted Subsidiary any amounts received by the Company or any Restricted Subsidiary (as dividends, interest or otherwise) as earnings on its investment in such Unrestricted Subsidiary;

(iv) write-ups, write downs or write-offs after December 31, 1975 of investments in Unrestricted Subsidiaries shall be disregarded;

(v) accounts receivable from an Unrestricted Subsidiary arising in the ordinary course of business from the sale of goods or services shall not be included; and

(vi) any guaranty by the Company or any Restricted Subsidiary of any obligation of any Unrestricted Subsidiary shall be disregarded, unless and until the Company or such Restricted Subsidiary, as the case may be, shall make any payment pursuant to such guaranty, and thereafter shall be taken into account only to the extent that such payment is not charged to Consolidated Net Income.

14.3. *Payments by Subsidiaries.* The Company will not permit any Subsidiary to purchase (whether by exchange or otherwise), or make any payment or distribution on account of, any shares of stock of any class of the Company.

15. *Subsidiary Mergers, Designations, etc.* The Company will not

(a) sell, transfer or otherwise dispose of any outstanding Capital Stock or Funded Debt or secured Indebtedness of a Restricted Subsidiary, and will not permit any Restricted Subsidiary to sell, transfer or otherwise dispose of any outstanding Capital Stock or Funded Debt or secured Indebtedness of another Restricted Subsidiary, to any Person other than the Company or a Wholly-owned Restricted Subsidiary (except for directors' qualifying shares or shares of Capital Stock or Funded Debt or secured Indebtedness sold, transferred or disposed of in order to comply with any applicable law, governmental regulation, order or decree) unless (i) the Restricted Subsidiary the Capital Stock, Funded Debt or Indebtedness of which is so being sold, transferred or disposed of does not own any Capital Stock, Funded Debt or secured Indebtedness of any other Restricted Subsidiary not being simultaneously disposed of in accordance with this section and (ii, all outstanding Capital Stock, Funded Debt and Indebtedness of the Restricted Subsidiary the Capital Stock, Funded Debt or Indebtedness of which is so being sold, transferred or disposed of which are owned by the Company or any other Restricted Subsidiary are sold, transferred or otherwise disposed of at one time as an entirety, for a consideration and upon terms deemed by the Board of Directors of the Company to be adequate and satisfactory;

(b) permit a Restricted Subsidiary to consolidate or merge with or into any other corporation, or to lease, sell, or transfer all or substantially all of its property and assets to any corporation or other Person, unless

(i) after giving effect to the transaction, the corporation surviving such consolidation or merger, or the Person acquiring such property and assets, will be the Company or a Wholly-owned Restricted Subsidiary; or

(ii) such Restricted Subsidiary does not own any Capital Stock, Funded Debt or secured Indebtedness of any other Restricted Subsidiary not being simultaneously disposed of in accordance with this section, and the consideration received is deemed by the Board of Directors of the Company to be adequate;

(c) itself, and will not permit any Restricted Subsidiary to, acquire, directly or indirectly, any Capital Stock issued by a corporation if as a result of such acquisition such corporation will become a Restricted Subsidiary having any Funded Debt (including any Preferred Stock deemed to constitute Funded Debt) outstanding (other than any such Funded Debt owed to or owned by the Company or a Wholly-owned Restricted Subsidiary), unless (i) such corporation either (A) has never been an Unrestricted Subsidiary or (B) will become a Foreign Restricted Subsidiary as a result of such transaction, and (ii) immediately after giving effect thereto Consolidated Net Tangible Assets shall be at least 250% of Consolidated Senior Funded Debt and at least 200% of Consolidated Funded Debt;

(d) designate as a Restricted Subsidiary any Unrestricted Subsidiary (other than a Foreign Subsidiary) which has any Funded Debt or Preferred Stock or secured Indebtedness outstanding, other than Funded Debt or Preferred Stock or secured Indebtedness owed to or owned by the Company or a Wholly-owned Restricted Subsidiary; or

(e) designate as an Unrestricted Subsidiary any Restricted Subsidiary unless (i) immediately after giving effect thereto, Consolidated Net Tangible Assets shall be at least 250% of Consolidated Senior Funded Debt and at least 200% of Consolidated Funded Debt, (ii) immediately thereafter and after giving effect thereto, the Company would be permitted under section 14 to declare a cash dividend on its Capital Stock, and (iii) such Restricted Subsidiary does not own any Capital Stock, Funded Debt or secured Indebtedness of any other Restricted Subsidiary.

**16. Consolidation, Merger or Sale. 16.1. Liens.** The Company will not consolidate or merge with or into any other corporation, or sell or transfer all or substantially all of its property and assets to any other corporation, if, upon such consolidation, merger, sale or transfer becoming effective, any of the property or assets owned by the Company immediately prior thereto would become or be subject to any mortgage or other lien ("additional lien"), other than liens existing thereon prior thereto and liens permitted under clauses (b) through (j) of section 11 hereof.

**16.2. No Default.** Subject to the provisions of section 16.1, nothing herein shall prevent any consolidation or merger of the Company with or into any other corporation, or any sale or transfer of all or substantially all of the property and assets of the Company to any other corporation lawfully entitled to acquire the same if (a) there shall be delivered to each holder of any of the Notes at the time outstanding, promptly after the consummation of such consolidation, merger, sale or transfer, an instrument satisfactory in form to the holders of at least 66⅔% in principal amount of the Notes then outstanding pursuant to which the due and punctual payment of the principal of (and premium, if any) and interest on all the Notes according to their terms, and the due and punctual performance and observance of all the terms, covenants and conditions of this Agreement to be kept or performed by the Company, shall be assumed by the corporation formed by or resulting from any such consolidation or merger (provided that no such instrument of assumption shall be required if the Company is the surviving corporation upon the consolidation or merger), or by the corporation which shall have received the transfer of all or substantially all of the property and assets of the Company, just as fully and effectually as if such successor corporation had been the original party hereto, (b) such successor corporation shall be organized under the laws of the United States of America, any state thereof or the District of Columbia, and (c) after giving effect to such consolidation, merger, sale or transfer, Consolidated Net Tangible Assets shall (except in the case of a merger of the Company with or into a Wholly-owned Restricted Subsidiary) be at least equal to 250% of Consolidated Senior Funded Debt and at least equal to 200% of Consolidated Funded Debt and there shall not exist any Event of Default or any event which after notice, lapse of time or both, would constitute an Event of Default. In the event of any such sale or transfer the predecessor company may be dissolved, wound up and liquidated at any time thereafter. Every such successor corporation upon executing an instrument of assumption, as provided in subdivision (a) of this section 16.2, shall succeed to and be substituted for the Company with the same effect as if it had been named herein as the Company; and any order, certificate, statement, request, instructions, advice or resolutions of the Board of Directors or officers of the Company provided for in this Agreement may be made by like officials of such successor corporation. This section 16 shall be applicable to successive consolidations or mergers to which the Company (including any successor) is a party and to successive sales or transfers by the Company (including any successor).

**17. Maintenance of Working Capital and Current Ratio.** The Company will not permit Consolidated Working Capital to be less than \$150,000,000 and will not permit Consolidated Current Assets to be less than 170% of Consolidated Current Liabilities.

**18. Transactions with Shareholders and Affiliates and Tax Consolidation.** The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into any transaction

(other than (a) contracts in the ordinary course of business for employment and for compensation for personal services and (b) transactions between the Company and Restricted Subsidiaries or between Restricted Subsidiaries) with any holder of 5% or more of any class of the Capital Stock of the Company or with any Affiliate of the Company or of any such holder on terms that are, in any material respect, less favorable to the Company or such Restricted Subsidiary, as the case may be, than those which might be obtained at the time from Persons who are not such a holder or Affiliate; *provided*, however, that this section shall not prevent the Company or any Restricted Subsidiary from entering into any transaction with any Person if (x) such Person is an Affiliate of the Company solely by virtue of being controlled by the Company, (y) such Person is a joint venture in which the Company or any Restricted Subsidiary is an equity participant and (z) such transaction is in the best interest of the Company and is not materially disadvantageous to the holders of the Notes. The Company will not file or consent to the filing of any consolidated income tax return with any Person other than a Subsidiary.

**19. Corporate Existence, etc.** The Company will at all times preserve and keep in full force and effect its corporate existence, rights and franchises and those of each of the Restricted Subsidiaries, except that, subject to compliance with sections 15 and 16, the corporate existence of the Company or any Restricted Subsidiary may be terminated or any of its or their rights or franchises abandoned, modified or terminated if, in the good faith judgment of the Company, such termination, abandonment or modification is in the best interest of the Company and is not materially disadvantageous to the holders of the Notes.

**20. Payment of Taxes and Claims.** The Company will, and will cause each Restricted Subsidiary to, pay all taxes, assessments and other governmental charges validly imposed upon it or any of its properties or assets or in respect of any of its franchises, business, income or profits before any penalty or interest accrues thereon, and all claims (including, without limitation, claims for labor, services, materials and supplies) for sums which have become due and payable and which by law have or might become a lien or charge upon any of its properties or assets; *provided* that (unless any material item of property would be lost, forfeited or materially damaged or the Company's or such Subsidiary's use thereof would be materially impaired as a result thereof) no such charge or claim need be paid if being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and if such reserve or other appropriate provision, if any, as shall be required by generally accepted accounting principles shall have been made therefor.

**21. Maintenance of Properties; Insurance.** The Company will maintain or cause to be maintained in good repair, working order and condition all properties used or useful in the business of the Company and the Restricted Subsidiaries and from time to time will make or cause to be made all necessary or appropriate repairs, renewals and replacements thereof. The Company will maintain or cause to be maintained, with financially sound and reputable insurers, insurance with respect to its properties and business and the properties and business of the Restricted Subsidiaries against loss or damage of the kinds customarily insured against by corporations of established reputation engaged in the same or similar business and similarly situated of such types and in such amounts as is customarily carried under similar circumstances by such other corporations; *provided*, however, that nothing in this section 21 shall prevent the Company or any Restricted Subsidiary from selling, abandoning or otherwise disposing of, or failing to maintain in good repair, working order and condition, any of their respective properties or from discontinuing a part of their respective businesses if, in the judgment of the Company, such sale, abandonment, disposition, failure to maintain or discontinuance is in the best interest of the Company and is not materially disadvantageous to the holders of the Notes.

**22. Registration, Transfer and Substitution of Notes.** **22.1. Note Register; Ownership of Notes.** Notes may be issued hereunder either in the form of Registered Notes or in the form of Order Notes. The Company will keep at its principal office a register in which the Company will provide for the

registration of Registered Notes and the registration of transfers and exchanges of Registered Notes. The Company may treat the Person in whose name any Registered Note is registered on such register as the owner thereof for the purpose of receiving payment of the principal of and the premium, if any, and interest on such Note and for all other purposes, whether or not such Note shall be overissued, and the Company shall not be affected by any notice to the contrary. All references in this Agreement to a "holder" of any Registered Note shall mean the Person in whose name such Note is at the time registered on such register.

**22.2. Transfer and Exchange of Notes.** Upon surrender of any Note for transfer or exchange at the principal office of the Company, the Company at its expense will execute and deliver in exchange therefor a new Note or Notes in denominations of \$50,000 or any multiples thereof requested by any holder or transferee (plus one Note in such other denomination as may be required), which aggregate the unpaid principal amount of such surrendered Note, in the form of Registered Notes or Order Notes and registered in the name or names, or payable to the order, of such Person or Persons as such holder or transferee may request, dated so that there will be no loss of interest on such surrendered Note and otherwise of like tenor. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any transfer or exchange of any Note by you or any subsequent holder thereof.

**22.3. Replacement of Notes.** Upon (a) receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of any Note and (b) in the case of any loss, theft or destruction of any Note, upon delivery of indemnity reasonably satisfactory to the Company in form and amount (provided that if such Note is held by you, any of your Affiliates or any other institutional investor of recognized standing, an agreement of indemnity by you, such Affiliate or such institutional investor shall be deemed to be satisfactory), or, in the case of any such mutilation, upon the surrender of such Note for cancellation at the principal office of the Company, the Company at its expense will execute and deliver, in lieu thereof, a new Note of like tenor, dated so that there will be no loss of interest on such lost, stolen, destroyed or mutilated Note. Any Note in lieu of which any such new Note has been so executed and delivered by the Company shall not be deemed to be an outstanding Note for any purpose of this Agreement.

**23. Payments on Notes.** So long as you or any Affiliate of yours or any other institutional investor of recognized standing is the holder of any Registered Note, or is the holder of any Order Note who has specified in writing to the Company (or indicated in the Schedule of Purchasers attached hereto) that the provisions of this section shall apply, all sums becoming due on such Note (whether for principal, premium, if any, or interest) shall be paid (a) as specified in the Schedule of Purchasers, or (b) in the case of such other institutional investor, in the form of federal funds bank wire transfer to such account as such institutional investor shall have specified in writing, or in either case by such other method and at such other address as such holder shall have furnished to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that any Note paid or prepaid in full shall be surrendered to the Company at its principal office for cancellation. Each such wire transfer shall provide sufficient information to identify the source and application of the funds transferred. The Company will pay all sums becoming due on each Registered Note held by any holder of such Note other than you, your Affiliate or any such other institutional investor (whether for principal, premium, if any, or interest) by check mailed to such holder at the registered address of such holder as set forth in the register kept by the Company at its principal office as provided in section 22.1, without the presentation or surrender of such Note or the making of any notation thereon, except that any Note paid or prepaid in full shall be surrendered to the Company at its principal office for cancellation. Prior to any sale or other disposition of any Note, the holder thereof (whether you or any other Person) will, at its election, either endorse thereon (or on a paper annexed thereto) the amount of principal paid thereon and the last date to which interest has been paid thereon or make such Note available to the Company at its principal office for the purpose of making such endorsement thereon. Each holder of any Order Notes agrees that, in the event it shall sell or transfer

any of such Notes, it will promptly notify the Company of the name and address of the transferee of any such Notes transferred. The Company shall be entitled to presume conclusively that the person to whom any Order Note is payable remains the holder of such Order Note until (i) the Company shall have received notice of the transfer of such Order Note and of the name and address of the transferee, or (ii) such Order Note shall have been presented to the Company as evidence of its transfer.

24. Events of Default; Acceleration. If any of the following conditions or events ("Events of Default") shall occur and be continuing:

(a) if the Company shall default in the payment of any principal of or premium, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) if the Company shall default in the payment of any interest on any Note for a period of 5 days after the same becomes due and payable; or

(c) if the Company shall default in the performance of or compliance with any term contained in section 17; or

(d) if the Company shall default in the performance of or compliance with any term contained in sections 10 through 16 or section 18 or 19, and such default shall not have been remedied within 15 days after the occurrence thereof; or

(e) if the Company shall default in the performance of or compliance with any term contained herein other than those referred to above, in this section 24 and such default shall not have been remedied within 30 days after written notice thereof shall have been given to the Company by any holder of any Note; or

(f) if any representation or warranty made in writing by or on behalf of the Company herein or pursuant hereto shall prove to have been false or incorrect in any material respect on the date as of which made; or

(g) if the Company or any Restricted Subsidiary shall default (as principal or guarantor or other surety) in any payment due on any indebtedness for borrowed money or Funded Debt (other than the Notes) or in the payment of any payment obligation under any lease which is capitalized by the Company or such Restricted Subsidiary for financial reporting purposes or in the performance of or compliance with any term of any evidence of indebtedness for borrowed money or Funded Debt, any such lease or any mortgage, indenture or other agreement relating thereto and such default shall continue for more than the period of grace, if any, specified therein and shall not have been waived pursuant thereto, and if, as a consequence thereof, any holder of such indebtedness for borrowed money or Funded Debt or any party to such lease, evidence of indebtedness for borrowed money or Funded Debt, mortgage, indenture or other agreement shall have the right to declare the full amount thereof due and payable or to terminate any such lease; or

(h) if the Company or any Restricted Subsidiary shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts as they become due, or shall file a voluntary petition in bankruptcy or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, or shall file any answer admitting or not contesting the material allegations of a petition filed against the Company or such Restricted Subsidiary in any such proceeding, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of the Company or such Restricted Subsidiary or of all or any substantial part of the properties of the Company or such Restricted Subsidiary, or if the Company or its directors or majority shareholders shall take any action looking to the dissolution or liquidation of the Company; or



(i) if, within 60 days after the commencement of an action against the Company or any Restricted Subsidiary seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such action shall not have been dismissed or all orders or proceedings thereunder affecting the operations or the business of the Company or such Restricted Subsidiary stayed, or if the stay of any such order or proceeding shall thereafter be set aside, or if, within 60 days after the appointment without the consent or acquiescence of the Company or any Restricted Subsidiary of any trustee, receiver or liquidator of the Company or such Restricted Subsidiary or of all or any substantial part of the properties of the Company or such Restricted Subsidiary, such appointment shall not have been vacated; or

(f) if a final judgment which, with other outstanding final judgments against the Company and the Restricted Subsidiaries, exceeds an aggregate of \$100,000 shall be rendered against the Company or any Restricted Subsidiary and if, within 60 days after entry thereof, such judgment shall not have been discharged or execution thereof stayed pending appeal, or if, within 60 days after the expiration of any such stay, such judgment shall not have been discharged;

then, and in any such event, any holder or holders of at least 25% in principal amount of the Notes at the time outstanding may at any time at its or their option, by written notice or notices to the Company, declare all of the Notes to be due and payable, whereupon the same shall forthwith mature and become due and payable, together with interest accrued thereon, without presentment, demand, protest or notice, all of which are hereby waived. If any holder of any Note shall give any notice or take any other action with respect to a claimed default under this Agreement, or if any Person shall give notice to the Company or any Restricted Subsidiary or take any other action with respect to a claimed default of the type referred to in subdivision (g) of this section 24, the Company will forthwith give written notice thereof to all holders of the Notes at the time outstanding, describing the notice or action and the nature of the claimed default.

**25. Remedies on Default, etc.** In case any one or more Events of Default shall occur and be continuing, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in such Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law. In case of a default in the payment of any principal of or premium, if any, or interest on any Note, the Company will pay to the holder thereof such further amount as shall be sufficient to cover the cost and expenses of collection, including, without limitation, reasonable attorneys' fees, expenses and disbursements. No course of dealing and no delay on the part of any holder of any Note in exercising any right shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise.

**26. Definitions.** As used herein the following terms have the following respective meanings:

**Affiliate** with reference to any Person, a spouse of such Person, any relative (by blood, adoption or marriage) of such Person within the third degree, any director, officer or employee of such Person, any corporation, association, firm or other entity of which such Person is a member, director, officer or employee, and any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person.

**Capital Stock:** stock of any class of a corporation.

**Capitalized Rent:** under any lease at any time as of which the amount thereof is to be determined, the lowest of (a) 10 times the amount of the maximum net rent payable under such lease during any period of 12 consecutive months subsequent to the date as of which the rental obligation is to be determined, or (b) the aggregate amount of net rent payable over the remaining period of the lease, or (c) if, at the time of such determination, generally accepted accounting principles would require that the rental obligation of the lessee under such lease be capitalized on a balance sheet of such lessee, then the capitalized amount (determined in accordance with such principles) which would appear on such balance sheet in respect of such lease. The net rent payable under any lease for any period shall be the total amount of the rent payable by the lessee with respect to such period but shall not include amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges. The amount to be included in net rent for any given period with respect to any portion thereof which may be a variable shall be such amount as the Company shall in good faith determine is reasonably to be expected to be due as a result of such variable. The remaining period of any lease shall be the period from the date of determination to the earlier of the expiration of the lease by its terms or the date on which the lessor has a right to terminate the lease; provided that if payments are required to be made by the lessee in connection with the termination of such lease, the amount of such payments shall be deemed to be net rent.

**Common Stock:** as applied to the stock of any corporation, all Capital Stock of such corporation other than Preferred Stock.

**Company:** (a) GAF Corporation, a Delaware corporation and (b) subject to section 16, after any merger or consolidation of GAF Corporation with or into any other corporation or any sale of substantially all the assets of GAF Corporation to another corporation, the corporation surviving or resulting from such merger, or consolidation or acquiring such assets.

**Consolidated Current Assets:** the total of all assets of the Company and the Restricted Subsidiaries which may properly be classified as current assets in accordance with generally accepted accounting principles on a consolidated basis, after eliminating all inter-company items; provided that (a) notes and accounts receivable shall be included only if payable on demand or within one year from the date as of which Consolidated Current Assets are to be determined (and if not by their terms or by the terms of any instrument or agreement relating thereto directly or indirectly renewable or extendible at the option of the debtors beyond such year), and shall be taken at their face value less reserves determined to be sufficient in accordance with generally accepted accounting principles, (b) investments (other than readily marketable securities of Persons which are not Subsidiaries, which securities are properly classified as current assets) shall be excluded, and (c) life insurance policies (other than the cash surrender value of unencumbered policies) shall be excluded.

**Consolidated Current Liabilities:** all indebtedness of the Company and the Restricted Subsidiaries, on a consolidated basis and after eliminating all inter-company items, maturing on demand or within one year from the date as of which Consolidated Current Liabilities are to be determined (including, without limitation, amounts due within such year with respect to the principal of or premium, if any, on the Notes or any other indebtedness whether or not such indebtedness constitutes Funded Debt), and such other liabilities (including taxes accrued as estimated) as may properly be classified as current liabilities in accordance with generally accepted accounting principles.

**Consolidated Funded Debt; Consolidated Net Income; Consolidated Net Tangible Assets:** the Funded Debt, Net Income or Net Tangible Assets, as the case may be, of the Company and the Restricted Subsidiaries, all as consolidated and determined in accordance with generally accepted accounting principles; provided, however, that (a) there shall not be included in Consolidated Net Income any undistributed earnings of any Person other than a Restricted Subsidiary, (b) in case any corporation shall become a Restricted Subsidiary, the net income of such Restricted Subsidiary for the period commencing April 1, 1976, or the date such Restricted Subsidiary became a Subsidiary, whichever is later, shall be included in the consolidation in determining Consolidated Net Income for purposes of section 14 and (c) in determining Consolidated Net Tangible Assets, the aggregate investment by

the Company and the Restricted Subsidiaries in any Unrestricted Subsidiary shall not be taken into account in an amount in excess of the aggregate unliquidated investment in such Unrestricted Subsidiary computed in accordance with subdivision (c) of section 14.2.

**Consolidated Senior Funded Debt:** the sum of Senior Funded Debt of the Company and Funded Debt of the Restricted Subsidiaries, all as consolidated and determined in accordance with generally accepted accounting principles.

**Consolidated Working Capital:** the excess of Consolidated Current Assets over Consolidated Current Liabilities.

**Domestic Restricted Subsidiary:** any Restricted Subsidiary which is not a Foreign Restricted Subsidiary.

**Domestic Subsidiary:** any Subsidiary which is not a Foreign Subsidiary.

**Event of Default:** the meaning specified in section 24.

**Excepted Lease:** (a) any lease expiring within three years or less from the time of making thereof, (b) any lease of, or of space in, any office building or warehouse, (c) any lease of real property upon which any office building or warehouse is or is to be constructed, (d) any lease existing on December 1, 1966 and (e) any lease from the Company or any Restricted Subsidiary to the Company or any Restricted Subsidiary.

**Foreign Subsidiary; Foreign Restricted Subsidiary:** any Subsidiary, or Restricted Subsidiary, as the case may be, substantially all of the physical properties of which are located, or substantially all of the business of which is carried on, outside the United States of America, its territories and possessions, or which during the 12 most recent calendar months (or such shorter period as shall have elapsed since its organization) derived more than 80% of its gross income from sources outside the United States of America (as defined in Section 862(a) of the Internal Revenue Code of 1954, as amended, or any subsequent statutory provision of like import).

**Funded Debt:** with respect to any Person, all Indebtedness, whether secured or unsecured, of such Person which has a fixed maturity (or which, pursuant to the terms of a revolving credit or similar agreement or otherwise, is renewable or extendible at the option of such Person to a date or for a period ending) more than one year after the date of the creation thereof, notwithstanding the fact that payments in respect thereof (whether installment, serial maturity or sinking fund payments or otherwise) are required to be made by such Person less than one year after the date of the creation thereof; *provided, however*, that there shall be excluded from Funded Debt (a) Indebtedness due within one year of the date of determination, (b) Indebtedness which is renewable or extendible pursuant to the terms of a revolving credit or similar agreement if, by the terms of such revolving credit or similar agreement, no Indebtedness is permitted to be outstanding thereunder (or to replace Indebtedness thereunder) for a period of at least 30 consecutive days during each period of 12 consecutive months beginning with the effective date of such revolving credit or other similar agreement, and (c) except as provided in clause (x) of the following proviso of this definition, Indebtedness consisting of rental obligations under leases; *and provided, further*, that (x) for the purpose of computing Consolidated Funded Debt and Consolidated Senior Funded Debt in section 10, section 13.1, subdivisions (c) and (e) of section 15 and subdivision (c) of section 16.2, the Company and each Restricted Subsidiary shall be deemed to be liable in respect of Funded Debt (in addition to actual Funded Debt of the Company or such Restricted Subsidiary) in a principal amount equal to the Capitalized Rent under all leases of real property (other than Excepted Leases) under which the Company or such Restricted Subsidiary is liable for rental obligations and (y) for purposes of sections 10, 13(c), 15(e), 16.2 and 24(g) outstanding Preferred Stock of a Subsidiary that is not owned by the Company or a Wholly-owned Restricted Subsidiary shall be deemed to constitute a principal amount of Funded Debt of such Subsidiary equal to the par value or involuntary liquidation value, whichever is higher, of such Preferred Stock. Any Indebtedness extended or renewed shall be deemed to have been created on the date of such extension or renewal.

**Indebtedness:** with respect to any corporation, all indebtedness created, incurred, assumed or guaranteed by such corporation or for which it is otherwise liable (such as by agreement to purchase indebtedness of, or to supply funds to or invest in, others), all amounts owing by such corporation under purchase money mortgages or other purchase money liens or conditional sales or other title retention agreements, and all indebtedness secured by any mortgage, pledge or other lien or encumbrance upon property owned by such corporation, even though such corporation has not assumed or become liable for the payment of such indebtedness; *provided* that, in computing the "Indebtedness" of any corporation, there shall be excluded any particular indebtedness if, upon or prior to the maturity thereof, there shall have been deposited with the proper depository in trust money (or evidences of indebtedness if permitted by the instrument creating such indebtedness) in the necessary amount to pay, redeem or satisfy such indebtedness, and thereafter such money and evidences of indebtedness so deposited shall not be included in any computation of the assets of such corporation.

**Net Income:** with respect to any corporation, the net income of such corporation after deducting all charges which should be deducted before arriving at net income, all as determined in accordance with generally accepted accounting principles.

**Net Tangible Assets:** with respect to any Person, (a) the total of all assets appearing on a balance sheet of such Person, prepared in accordance with generally accepted accounting principles, at their net book values (after deducting related depreciation, depletion, amortization and all other asset reserves, which, in accordance with such principles, should be set aside in connection with the business conducted), but excluding good will, trademarks, patents, unamortized debt discount and expense, organization or developmental expenses, amounts on the asset side of such balance sheet for Capital Stock of such Person (if such Person is a corporation) and all other like segregated intangible assets, less (b) the aggregate of all liabilities, deferred credits, minority shareholders' interests, reserves and other items which, under such principles, would appear on the liability side of such balance sheet except Funded Debt, Capital Stock, and capital and earned surplus, all as determined in accordance with such principles; *provided*, however, that in determining Net Tangible Assets of any Person, (x) there shall not be deducted any reserve which is either a reserve for contingencies not allocated to any particular purpose or a reserve created by such Person to cover the estimated amount by which income taxes expected to be payable thereafter exceeds what would be so expected to be payable if depreciation, depletion, and/or amortization of any such Person's properties had not been claimed for income tax purposes in an amount in excess of the provision for depreciation, depletion, and/or amortization of such properties actually deducted on the books of such Person, (y) such Person shall be deemed to own real property having a value on such Person's books (in addition to property actually owned by such Person) in an amount equal to the aggregate Capitalized Rent under all leases of real property (other than Excepted Leases) pursuant to which such Person shall be liable for rental obligations, and (z) except to the extent provided in clause (y) of this definition, assets held by such Person as lessee under any lease which is or may be capitalized for financial reporting purposes shall be excluded from the Net Tangible Assets of such Person to the extent that such assets appear on such balance sheet only because such lease is or may be so capitalized.

**Officers' Certificate:** a certificate executed on behalf of the Company by its (a) Chairman of the Board, President or one of its Vice Presidents and (b) by its Treasurer, one of its Assistant Treasurers, its Controller, its Secretary or an Assistant Secretary.

**Person:** a corporation, an association, a partnership, an organization, a business, an individual, a government or political subdivision thereof or a governmental agency.

**Preferred Stock:** as applied to the stock of any corporation, any class of stock of such corporation which has a preference in respect of dividends or other distributions of assets, or in respect of amounts payable in the event of any voluntary or involuntary liquidation, dissolution and winding up of such corporation, over any other class of stock of such corporation.

**Restricted Subsidiary:**

(a) any Subsidiary which is neither (i) a Foreign Subsidiary nor (ii) a Subsidiary the primary business of which consists of purchasing accounts receivable and/or making investments in real

estate or providing services directly related thereto, or which is otherwise primarily engaged in the business of a finance or real estate investment company; and

(b) any Subsidiary specified in clause (i) or (ii) of paragraph (a) above which at the time of determination shall be a Restricted Subsidiary pursuant to designation by an Officers' Certificate as hereinafter provided for.

Subject to the provisions of section 10 and paragraphs (d) and (e) of section 15, the Company may by filing an Officers' Certificate with each of the holders of any of the Notes (i) designate any Subsidiary specified in clause (i) or (ii) of paragraph (a) above to be a Restricted Subsidiary and (ii) designate any such Subsidiary to be an Unrestricted Subsidiary.

**Senior Funded Debt:** Funded Debt of the Company other than Subordinated Debt; *provided* that, for the purpose of computing Consolidated Funded Debt and Consolidated Senior Funded Debt in section 10, section 13.1, subdivisions (c) and (e) of section 15 and subdivision (c) of section 16.2, the amount of Funded Debt for which the Company shall be deemed to be liable pursuant to clause (c) of the definition of "Funded Debt" shall be considered Senior Funded Debt.

**Subordinated Debt:** the 5% Convertible Subordinated Notes due April 1, 1994 of the Company outstanding under the Company's Loan Agreement, dated as of June 1, 1989, and the 5½% Convertible Subordinated Notes due April 1, 1993 of the Company outstanding under the Company's Note Exchange Agreements dated October 10, 1988 (if and so long as the respective subordination provisions relative thereto upon the respective initial dates of execution of said Loan Agreement and said Note Exchange Agreements shall not be changed in a manner adverse to the interests of Senior Indebtedness as therein defined), and any other unsecured indebtedness of the Company which: (a) has a final maturity subsequent to March 31, 1991; (b) does not provide for mandatory payment or retirement prior to said date, whether by means of serial maturities or sinking fund or other analogous provisions or plan, fixed or contingent, requiring, or which on the happening of a contingency may require, the payment or retirement of such indebtedness in amounts which as of any particular time would aggregate more than such portion of the original principal amount thereof as is obtained by multiplying such original principal amount by a fraction the numerator of which shall be the number of months elapsed from the date of creation of such indebtedness to such time and the denominator of which shall be the number of months elapsed from the date of creation thereof to the final maturity thereof; and (c) is expressly made subordinate and junior in right of payment to the Notes and such other indebtedness of the Company (except other Subordinated Debt) as may be specified or characterized in the instruments evidencing the Subordinated Debt or the indenture or other similar instrument under which it is issued (which indenture or other instrument shall be binding on all holders of such Subordinated Debt), by provisions not more favorable to the holders of the Subordinated Debt than those contained in said Note Exchange Agreements dated October 10, 1988 in the form in which said Note Exchange Agreements were originally executed.

**Subsidiary:** any corporation of which the Company, or the Company and one or more Subsidiaries, or any one or more Subsidiaries, directly or indirectly own more than 50% of the outstanding Capital Stock having under ordinary circumstances (not dependent upon the happening of a contingency) voting power in the election of members of the board of directors, managers or trustees of said corporation.

**Unrestricted Subsidiary:** any Subsidiary other than a Restricted Subsidiary.

**Weighted Average Life to Maturity:** as applied to any Indebtedness at any date, the number of years obtained by dividing (a) the then outstanding principal amount of such Indebtedness into (b) the total of the products obtained by multiplying (i) the amount of each then remaining installment, sinking fund, serial maturity or other required payment, including payment at final maturity, in respect thereof, by (ii) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such required payment.

**Wholly-owned Restricted Subsidiary:** a Restricted Subsidiary all of the outstanding Capital Stock of which, other than directors' qualifying shares, and all of the Funded Debt of which, shall at the time be owned by the Company or by one or more Wholly-owned Restricted Subsidiaries, or by the Company in conjunction with one or more Wholly-owned Restricted Subsidiaries.

**27. Expenses, etc.** Whether or not the transactions contemplated hereby shall be consummated, the Company will pay all expenses in connection with such transactions and in connection with any amendments or waivers (whether or not the same become effective) under or in respect of this Agreement or the Notes, including, without limitation: (a) the cost and expenses of the printing of this Agreement, of the printing and issue of the Notes, of furnishing all opinions by counsel for the Company (including any opinions requested by your special counsel as to any legal matter arising hereunder) and all certificates on behalf of the Company, and of the Company's performance of and compliance with all agreements and conditions contained herein on its part to be performed or complied with; (b) the cost of delivering to your principal office, insured to your satisfaction, the Notes sold to you hereunder and any Notes delivered to you upon any substitution of Notes pursuant to section 22 and of your delivering any Notes, insured to your satisfaction, upon any such substitution; (c) the reasonable fees, expenses and disbursements of your special counsel in connection with such transactions and any such amendments or waivers; and (d) the reasonable out-of-pocket expenses incurred by you in connection with such transactions and any such amendments or waivers. The Company will indemnify and hold you harmless from and against all claims in respect of the fees, if any, of brokers and finders payable in connection with the execution and delivery of this Agreement or the carrying out of the transactions contemplated hereby. The Company also will pay, and will save you and each holder of any Notes harmless from, any and all liabilities with respect to any taxes (including interest and penalties) which may be payable in respect of the execution and delivery of this Agreement, the issue of the Notes on the closing date and any amendment or waiver under or in respect of this Agreement or the Notes.

**28. Survival of Agreements, etc.** All agreements contained herein and all representations and warranties made in writing by or on behalf of the Company herein or pursuant hereto shall survive the execution and delivery of this Agreement, any investigation at any time made by you or on your behalf, the purchase of the Notes by you hereunder, and any disposition or payment of the Notes. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant hereto or in connection with the transactions contemplated hereby shall be deemed representations and warranties made by the Company hereunder.

**29. Amendments and Waivers.** Any term of this Agreement or of the Notes may be amended and the observance of any term hereof or thereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Company and the holders of at least 66⅔% in principal amount of the Notes at the time outstanding; *provided* that, without the prior written consent of the holders of all the Notes at the time outstanding, no such amendment or waiver shall (a) extend the fixed maturity or reduce the principal amount of, or reduce the rate or extend the time of payment of interest on, or reduce the amount or extend the time of payment of any principal or premium payable on any prepayment of, any Note or (b) reduce the aforesaid percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver. Any amendment or waiver effected in accordance with this section 29 shall be binding upon each holder of any Note at the time outstanding, each future holder of any Note and the Company. Notes directly or indirectly held by the Company or any Subsidiary or Affiliate of the Company shall not be deemed outstanding for purposes of determining whether any amendment or waiver has been effected in accordance with this section 29.

**30. Notices, etc.** All notices and other communications hereunder shall be in writing and shall be mailed by first-class mail, postage prepaid, addressed (a) if to you or any of your Affiliates, at your address specified for the purpose in the Schedule of Purchasers, or at such other address as you or such Affiliate shall have furnished to the Company for such purpose, or (b) if to any other holder of a Registered Note, at the registered address of such holder as set forth in the register kept by the

Company at its principal office as provided in Section 22.1, or (c) if to any other holder of an **Class** Note, at the address furnished to the Company in writing by such holder, or (d) if to the Company, at its address set forth at the beginning of this Agreement, Attention: Vice-President — Finance or Treasurer or at such other address as the Company shall have furnished to you and each such other holder in writing.

**31. Reproduction of Documents.** This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications which may hereafter be executed, (b) documents received by you at the closing of your purchase of the Notes, and (c) financial statements, certificates and other information previously or hereafter furnished to you, may be reproduced by you by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process, and you may destroy any original document so reproduced. The Company agrees and stipulates that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by you in the regular course of business) and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

**32. Miscellaneous.** This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto, whether so expressed or not, and, in particular, shall inure to the benefit of and be enforceable by any holder or holders at the time of the Notes or any part thereof. Except as stated in section 28, this Agreement embodies the entire agreement and understanding between you and the Company and supersedes all prior agreements and understandings relating to the subject matter hereof. This Agreement and the Notes shall be construed and enforced in accordance with and governed by the laws of the State of New York. The headings in this Agreement are for purposes of reference only and shall not limit or otherwise affect the meaning hereof. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterparts of this letter and return one of the same to the Company, whereupon this letter shall become a binding agreement between you and the Company.

Very truly yours,

**GAF CORPORATION**

The foregoing Agreement is hereby  
agreed to as of April 7, 1976.

By **JAY R. OLSON**  
*Vice President and Treasurer*

**JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY**

By **JOHN J. TSICALAS**  
*Investment Officer*

**THE TRAVELERS INSURANCE COMPANY**

By **GILBERT H. MASON**  
*Investment Officer*

**MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY**

By **GUY C. ROBERTS**  
*Second Vice President*

**THE AETNA CASUALTY AND SURETY COMPANY**

By **HOTT J. GOODRICH**  
*Assistant Vice President*

## SCHEDULE OF PURCHASERS

<u>Name and Address of Purchaser</u>	<u>Principal Amount of Notes and Type of Note</u>
<b>JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY</b> . . . . . (1) All payments on account of the Notes in accordance with the provisions thereof and of section 23 hereof shall be made by bank wire transfer of federal funds to The First National Bank of Boston Attention: Customer Securities Department 100 Federal Street Boston, Massachusetts 02106 A/C John Hancock Mutual Life Insurance Company Account No. 279-8000 Sufficient information will be provided with such wire transfer to identify the source and application of such funds. (2) All notices of such payments required to be given in accordance with the provisions hereof, and written confirmation of such wire transfers, shall be delivered or mailed to John Hancock Mutual Life Insurance Company Attention: Treasury Department, Securities Control John Hancock Place P.O. Box 111 Boston, Massachusetts 02117 (3) All other communications shall be delivered or mailed to John Hancock Mutual Life Insurance Company Attention: Bond Department John Hancock Place P.O. Box 111 Boston, Massachusetts 02117	<b>\$25,000,000</b> <b>(Registered Note)</b>
<b>THE TRAVELERS INSURANCE COMPANY</b> . . . . . (1) All payments on account of the Notes in accordance with the provisions thereof and section 23 hereof shall be made by bank check payable in New York Clearing House funds to The Travelers Insurance Company Post Office Box 1612 Stamford, Connecticut 06904 (2) All other communications shall be delivered or mailed to The Travelers Insurance Company One Tower Square Hartford, Connecticut 06110 Attention: Securities Department Private Placement Division	<b>\$20,000,000</b> <b>(Registered Note)</b>



Name and Address of Purchaser	Principal Amount of Notes and Type of Note
<p><b>MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY</b> .....</p> <p>(1) All payments on account of the Notes in accordance with the provisions thereof and section 23 hereof shall be made by bank wire transfer in Federal funds to Account No. 322-002648, in            Chemical Bank            20 Pine Street            New York, New York 10015</p> <p>(2) All notices of such payments required to be given in accordance with the provisions hereof, and written confirmation of such wire transfers, shall be delivered or mailed to            Massachusetts Mutual Life Insurance Company            1295 State Street            Springfield, Massachusetts 01111  <i>Attention: Financial Department</i></p> <p>(3) All other communications shall be delivered or mailed to            Massachusetts Mutual Life Insurance Company            1295 State Street            Springfield, Massachusetts 01111  <i>Attention: Securities Investment Division</i></p>	<p><b>\$10,000,000</b>  <b>(Registered Note)</b></p>
<p><b>THE AETNA CASUALTY AND SURETY COMPANY</b> .....</p> <p>(1) All payments on account of the Notes in accordance with the provisions thereof and of section 23 hereof shall be made by bank wire transfer of federal funds to its Account No. 00-42-948            in Morgan Guaranty Trust Company of New York            23 Wall Street            New York, New York 10015  <i>Attention: Money Transfer Department</i>            Sufficient information will be provided with such wire transfer to identify the source and application of such funds.</p> <p>(2) All notices of such payments required to be given in accordance with the provisions hereof, and written confirmation of such wire transfers, shall be delivered or mailed to            The Aetna Casualty and Surety Company  <i>Attention: Treasury Services B</i>            151 Farmington Avenue            Hartford, Connecticut 06156</p> <p>(3) All other communications shall be delivered or mailed to            The Aetna Casualty and Surety Company  <i>Attention: Bond Investment Department</i>            151 Farmington Avenue            Hartford, Connecticut 06156</p>	<p><b>\$10,000,000</b>  <b>(Order Note)</b></p>

EXHIBIT A-1

GAF CORPORATION

9½% Senior Note due March 31, 1991

No.

\$

New York, N.Y.  
1976

GAF CORPORATION (the "Company"), a Delaware corporation, for value received, hereby promises to pay to or registered assigns, the principal amount of \$ on March 31, 1991, with interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid balance of such principal amount at the rate of 9½% per annum from the date hereof, payable semi-annually on each March 31 and September 30, after the date hereof, until such unpaid balance shall become due and payable (whether at maturity or at a date fixed for prepayment or by declaration or otherwise), and with interest on any overdue principal (including any overdue prepayment of principal) and premium, if any, and (to the extent permitted by applicable law) on any overdue interest, at the rate of 10½% per annum until paid, payable semi-annually as aforesaid or, at the option of the registered holder hereof, on demand. Payments of principal, premium, if any, and interest on this Note shall be made in lawful money of the United States of America at the address of the registered holder hereof for such purposes specified in or pursuant to the Note Agreements referred to below. As provided in such Note Agreements, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company shall not be affected by any notice to the contrary.

This Note is one of the Company's 9½% Senior Notes due March 31, 1991 (the "Notes"), originally issued in the principal amount of \$65,000,000 pursuant to four separate Note Agreements, dated as of April 7, 1976, between the Company and the respective Purchasers named therein, and the registered holder of this Note is entitled to the benefits of such Note Agreements, as they may be amended from time to time as provided therein, and may enforce the agreements of the Company contained therein and exercise the remedies provided for thereby or otherwise available in respect thereof.

The Notes are issuable as either registered or unregistered Notes. This Note is a registered Note and is transferable only by surrender hereof at the principal office of the Company, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Note or his attorney duly authorized in writing.

As provided in such Note Agreements, the Notes are subject to required prepayment by the Company, without premium, on March 31, 1982 and on each March 31 thereafter so long as any Notes are outstanding. The Notes are also subject to optional prepayment, in whole or in part, in certain cases with a premium and in other cases without a premium, all as provided in such Note Agreements.

In case an Event of Default, as defined in such Note Agreements, shall occur and be continuing, the unpaid balance of the principal of this Note may be declared and become due and payable in the manner and with the effect provided in such Note Agreements.

This Note is made and delivered in New York, New York, and shall be governed by the laws of the State of New York.

GAF CORPORATION

By . . . . .  
Vice President and Treasurer

Exhibit A-1

**EXHIBIT A-2**

**GAF CORPORATION**

**9½% Senior Note due March 31, 1991**

No.

\$

New York, N.Y.

, 1976

GAF CORPORATION (the "Company"), a Delaware corporation, for value received, hereby promises to pay to or order, the principal amount of \$ on March 31, 1991, with interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid balance of such principal amount at the rate of 9½% per annum from the date hereof, payable semi-annually on each March 31 and September 30, after the date hereof, until such unpaid balance shall become due and payable (whether at maturity or at a date fixed for prepayment or by declaration or otherwise), and with interest on any overdue principal (including any overdue prepayment of principal) and premium, if any, and (to the extent permitted by applicable law) on any overdue interest, at the rate of 10½% per annum until paid, payable semi-annually as aforesaid or, at the option of the holder hereof, on demand. Payments of principal, premium, if any, and interest on this Note shall be made in lawful money of the United States of America at the principal office of the Company.

This Note is one of the Company's 9½% Senior Notes due March 31, 1991 (the "Notes"), originally issued in the principal amount of \$65,000,000 pursuant to four separate Note Agreements, dated as of April 7, 1976, between the Company and the respective Purchasers named therein, and the holder of this Note is entitled to the benefits of such Note Agreements, as they may be amended from time to time as provided therein, and may enforce the agreements of the Company contained therein and exercise the remedies provided for thereby or otherwise available in respect thereof.

The Notes are issuable as either registered or unregistered Notes. This note is unregistered and is transferable by endorsement and delivery.

As provided in such Note Agreements, the Notes are subject to required prepayment by the Company, without premium, on March 31, 1982 and on each March 31 thereafter so long as any Notes are outstanding. The Notes are also subject to optional prepayment, in whole or in part, in certain cases with a premium and in other cases without a premium, all as provided in such Note Agreements.

In case an Event of Default, as defined in such Note Agreements, shall occur and be continuing, the unpaid balance of the principal of this Note may be declared and become due and payable in the manner and with the effect provided in such Note Agreements.

This Note is made and delivered in New York, New York, and shall be governed by the laws of the State of New York.

**GAF CORPORATION**

By .....  
**Vice President and Treasurer**

**Exhibit A-2**

# EXHIBIT B

## GAF CORPORATION

Subsidiaries as of March 31, 1976

<u>Name</u>	<u>Jurisdiction of Incorporation</u>	<u>Percentage of Each Class of Stock Beneficially Owned by the Company</u>
GAF International Corporation	Delaware	100
Lenco Photo Products, Inc. (1)(2)	Delaware	100
GAF Export Corporation	Delaware	100
Genanil Realty Corporation (1)	New York	100
GAF Broadcasting Company, Inc. (1)(2)	Delaware	100
GAF Communications, Inc. (1)(2)	Delaware	100
GAF Realty Corporation (1)(2)	Delaware	100
54-38 Inc. (1)(2)	Delaware	100
American Felt Company (1)(2)	New Jersey	100
CoMo Photo Company (1)(2)	Iowa	100
General Aniline & Film Corporation (1)(2)	Delaware	100
The L. L. Cook Company, Inc. (1)(2)	Wisconsin	100
GAF (Canada) Limited	Canada	100
GAF (Belgium) N.V.	Belgium	100
GAF (Denmark) A/S	Denmark	100
GAF (France) S.A.	France	100
GAF (Deutschland) G.m.b.H.	West Germany	100
GAF (Great Britain) Limited	England	100
GAF (Italia) S.r.l.	Italy	100
GAF (Nederland) B.V. (3)	Netherlands	100
GAF (Osterreich) G.m.b.H. (4)	Austria	100
GAF Svenska AB	Sweden	100
GAF (Switzerland) A.G.	Switzerland	100
Helioprint Hellas S.A.	Greece	100
GAF (Australasia) Pty. Limited (5)	Australia	100
GAF (1972) Pty. Limited	Australia	100
GAF Corporation de Mexico, S.A. de C.V.	Mexico	100
GAF (Ireland) Limited	Ireland	100
GAF (Norge) A/S	Norway	100
GAF do Brasil	Brazil	100
GAF South Africa (Pty) Ltd.	South Africa	100
GAF Japan Ltd.	Japan	100
GAF (Israel) Ltd.	Israel	100
Nederlandse Document Reproductie B.V.	Netherlands	100
Drawing Office Industries Pty. Ltd.	Australia	100
GAF (Hong Kong) Limited	Hong Kong	100
GAF (Korea) Ltd.	Korea	100
GAF (New Zealand) Limited	New Zealand	100
GAF (N.S.W.) Pty. Limited	Australia	100
GAF (Philippines), Inc.	Philippines	100

Exhibit B-1

# EXHIBIT B

## GAF CORPORATION

Subsidiaries as of March 31, 1976 — (Continued)

<u>Name</u>	<u>Jurisdiction of Incorporation</u>	<u>Percentage of Each Class of Stock Beneficially Owned by the Company</u>
GAF (Qld) Pty. Limited . . . . .	Queensland, Australia	100
GAF (S.A.) Pty. Limited . . . . .	South Australia	100
GAF (Singapore) Private Limited . . . . .	Singapore	100
GAF (Vic) Pty. Limited . . . . .	Victoria, Australia	100
GAF (W.A.) Pty. Limited . . . . .	Western Australia	100
Insulecto Limited . . . . .	England	100
J. A. Reynolds & Co., Limited . . . . .	England	100
Plan Reproduction Company Limited . . . . .	England	100
Sawyer's Japan Ltd. . . . .	Japan	100
Sawyer's (Nederland) N.V. . . . .	Netherlands	100
Sawyer's Photographics Ltd. . . . .	Canada	100
Sawyer's Photographic Products (U.K.) Limited . . . . .	England	100
The Drawing Office Supplies, Limited . . . . .	England	100
Vega-Repro Limited . . . . .	England	100
Prestige Collections Pty. Limited . . . . .	Australia	100
Max Wurcker (Buyers) Pty. Limited . . . . .	Australia	100
Micro Reprographics Pty. Limited . . . . .	Australia	90
R. C. Paterson & Co. Pty. Limited . . . . .	Australia	100
Design Finance Pty. Limited . . . . .	Australia	100
Diaz Wholesale Pty. Limited . . . . .	Australia	100
Harding and Halden Pty. Limited . . . . .	Australia	100
Commercial Blue Print Co. Pty. Limited . . . . .	Australia	100
Abbott Copying Co. Pty. Limited . . . . .	Australia	100
Commercial Copying Company Pty. Limited . . . . .	Australia	100
Allan F. Morgan Pty. Limited . . . . .	Australia	100

(1) Except for Subsidiaries indicated with a (1), which are Domestic Subsidiaries, all Subsidiaries are Foreign Subsidiaries.

(2) Except for Subsidiaries indicated with a (2), which are Restricted Subsidiaries, all Subsidiaries are Unrestricted Subsidiaries.

(3) See paragraph 1 of letter, dated April 27, 1976, from the Company to each of the Purchasers named in the Schedule of Purchasers.

(4) At April 7, 1976, only 500,000 of 1,000,000 issued shares were fully paid. The total amount unpaid at that date in respect of shares not fully paid was approximately \$27,500.

(5) At April 7, 1976, only 1,180,000 of 2,000,000 issued shares were fully paid. The total amount unpaid at that date in respect of shares not fully paid was approximately \$216,500.

Exhibit B-3

# EXHIBIT C

## CAF CORPORATION AND SUBSIDIARIES

### Funded Debt and Liens

<u>Funded Debt</u>	<u>Description</u>	<u>Principal Amount Outstanding Due Not Exceed (\$00's omitted)</u>
**1.	Promissory Notes, payable to banks, due May 15, 1980 with interest at 12.25% of the prime commercial lending rate through May 15, 1978 and 12.25% of such rate thereafter .....	\$ 18,000
**2.	Promissory Notes, payable to banks, due December 31, 1981, with interest at 11.5% of the prime commercial lending rate .....	49,000
**3.	5 1/4% Convertible Subordinated Notes due April 1, 1983 with annual repayments of \$20,000 on each April 1 through 1982 and the balance of \$1,800,000 payable April 1, 1983 .....	3,900
**4.	5% Convertible Subordinated Notes due April 1, 1984 with annual repayments beginning April 1, 1980 .....	8,900
**5.	5 1/4% Sinking Fund Debentures due December 1, 1991 with annual sinking fund payments of \$2,500,000 on each December 1 .....	37,131
6.	7 3/4% Promissory Notes due May 24, 1979, payable annually commencing May 24, 1977 in installments aggregating \$1,900,000, \$2,400,000 and \$2,400,000 .....	6,000
**7.	5 1/4% Notes due January 20, 1980 .....	1,000
**8.	5 1/4% Notes due August 2, 1985 with annual repayments of \$65,000 commencing 1971 .....	1,472
**9.	5 1/4% 1974 Series A Pollution Control Revenue Bond of Broome County Industrial Development Agency (Broome County, New York), due May 1, 1984, payable semi-annually commencing November 1, 1980 (guaranteed by the Company) .....	2,500
**10.	1975 Series B Pollution Control Revenue Bond of Broome County Industrial Development Agency (Broome County, New York), bearing interest at 7 1/2% of the minimum commercial lending rate charged from time to time by Morgan Guaranty Trust Company of New York, due May 1, 1984, payable semi-annually commencing November 1, 1982 (guaranteed by the Company) .....	750
**11.	5 1/2% 1974 Series A Pollution Control Revenue Bond of Rensselaer County Industrial Development Agency (Rensselaer County, New York), due July 1, 1984, payable semi-annually commencing January 1, 1981 (guaranteed as to 61.7% by the Company) .....	3,085
**12.	4 1/4% 1973 Pollution Control Revenue Bond Series of City of Calvert City, Kentucky, due August 15, 1984, payable semi-annually commencing February 15, 1980 (guaranteed by the Company) .....	2,714
13.	3 3/4% — 4 1/4% 1983 Industrial Revenue Bonds of Annapolis, Missouri due September 30, 1993 with serial repayments commencing 1986 (guaranteed by the Company) .....	2,045

Exhibit C-1

# EXHIBIT C

## GAF CORPORATION AND SUBSIDIARIES

### Funded Debt and Liens — (Continued)

<u>Funded Debt*</u>	<u>Description</u>	<u>Principal Amount Outstanding Does Not Exceed (000's omitted)</u>
**14.	1976 Series A Pollution Control Bonds of New Jersey Industrial Development Authority, Linden, New Jersey, with interest at 75% of the prime commercial rate, due February 23, 2001 payable quarterly commencing March 31, 1976 (guaranteed by the Company) . . . . .	\$ 10,000
15.	6½% Note secured by Mortgage on 7151 Lake Ellenor Drive, Orlando, Florida due May 1, 1984 . . . . .	47
16.	7.90% Belgian Franc Notes of GAF (Belgium) N.V. (guaranteed by the Company) due May 5, 1985 and November 5, 1985, payable annually commencing May 5, 1976 and November 5, 1978 . . . . .	3,163
17.	Sterling Note of GAF (Great Britain) Limited due July 16, 1982, with interest at the prime commercial lending rate from time to time of the Bank of England (but not in excess of 10%) . . . . .	2,492
18.	6½%-8% Notes of GAF (Australasia) Pty. Limited due various dates thru December 2, 1986 . . . . .	428

#### Liens, Capitalized Leases and Conditional Sale and Other Title Retention Agreements

A. Items 9, 10, 11, 12, 13, 15, 16 and 18 under Funded Debt are secured by mortgages, liens or other encumbrances on properties or assets of the Company or a Subsidiary.

B. The property with respect to which the Funded Debt described in Item 14 under Funded Debt was issued is held under an Installment Sale Agreement or is held in escrow under related arrangements. Property covered by the Installment Sale Agreement was reflected in the consolidated financial statements of the Company and the Subsidiaries as of December 31, 1975 at an amount not in excess of \$1,500,000.

C. The aggregate book value of assets of the Company and the Subsidiaries reflected in the consolidated financial statements of the Company and the Subsidiaries as of December 31, 1975 and held as lessee under leases capitalized for financial reporting purposes does not exceed \$14,400,000.

D. Encumbrances pursuant to an Indenture or Lease, dated February 4, 1976, between The Industrial Development Authority of The Republic of Ireland, as lessor, and GAF (Nederland) B.V., as lessee, relating to sheet vinyl flooring plant in Mullingar, County of Westmeath, Ireland to be constructed by GAF (Nederland) B.V. The leasehold interest in the land on which such plant is to be constructed was acquired in 1976 for approximately \$600,000.

E. Encumbrance on stock of GAF (Nederland) B.V. described in paragraph 1 of letter, dated April 27, 1976, from the Company to each of the Purchasers named in the Schedule of Purchasers.

\* Unless otherwise noted, all Funded Debt listed is Funded Debt of the Company and includes the current portion of such Funded Debt.

\*\* Instrument evidencing Funded Debt, or agreement pursuant to which such Funded Debt was issued, restricts incurrence by the Company of additional Funded Debt.

Exhibit C-2

GAP CORPORATION  
140 West 51st Street  
New York, New York 10020

, 1976

Attention:

Gentlemen:

This confirms our understanding as follows:

1. You have agreed to make available to GAF Corporation (the "Company") a confirmed line of credit (the "Line of Credit") up to an aggregate principal amount of \$ (as such amount may be reduced pursuant to paragraph 4 hereof) to expire on the third anniversary of the date of this letter agreement (the "Expiration Date"). Within such limit, the Company may borrow, repay and reborrow under the Line of Credit to and including the Expiration Date or the earlier termination of the Line of Credit pursuant to paragraph 4 hereof. The proceeds of loans (the "Loans") made pursuant to the Line of Credit are to be added to the general funds of the Company and used for working capital or other business purposes.

2. The Company may draw down Loans under the Line of Credit by oral notice to you as much in advance of each Loan as is possible, but in any event no later than 12:00 noon, New York City time, on the date of the Loan, by the Chairman of the Board, President, an Executive Vice President, Treasurer or an Assistant Treasurer of the Company. Each Loan shall be in the aggregate amount of \$500,000 or an integral multiple thereof and shall be repayable at a time specified by the Company in the notice, up to a maximum of 90 days from the date of the Loan. Each borrowing shall be represented by a note (the "Note"), in the form of Exhibit A hereto, dated the date of the Loan, which shall be mailed to you on the same date as the notice of borrowing. Each Note shall bear interest, computed on the basis of the actual number of days elapsed over a year



of 365 or 366 days, as the case may be, from the date of borrowing, payable on the last day of each calendar quarter while the Note is outstanding and at maturity, on the daily unpaid principal amount thereof, such rate to be determined each day as follows: at a rate per annum equal to  $\frac{1}{4}$  of your rate in effect on such date for prime commercial loans of 90-day maturities to your most substantial customers (the "Prime Rate"). Each change in the rate of interest due to change in the Prime Rate shall be effective as of the opening of business on the date of such change in the Prime Rate. The Company represents that on the date hereof, there exists no default by the Company under an obligation for borrowed money in excess of \$5,000,000 or an agreement relating hereto of the Company as to which any required notice has been given and which has continued beyond any period of grace provided in respect thereof. Each borrowing hereunder shall constitute a further representation by the Company to such effect as of the date thereof.

3. The Company will pay you a commitment fee (the "Commitment Fee") of  $\frac{1}{4}$  per annum (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be) on the daily unused amount of the Line of Credit from time to time in effect during the preceding period or quarter. The Commitment Fee shall commence to accrue on the date of this letter and shall be paid on the last day of each calendar quarter, commencing September 30, 1976, and on the Expiration Date, so long as the Line of Credit is outstanding.

4. At any time, upon at least 3 days prior written notice, the Company may permanently terminate or in part permanently reduce the Line of Credit, without penalty or premium. Any notice of reduction shall be signed by the Chairman of the Board, President, an Executive Vice-President, Treasurer or an Assistant Treasurer of the Company, and shall specify the date of the proposed termination or reduction. Each reduction shall be in an aggregate amount equal to at least \$500,000 or an integral multiple thereof.

5. The Company may prepay any Note or Notes (without regard to any other Note) in whole at any time or in part from time to time without penalty or premium, upon notice no later than 12:00 noon, New York City time, on the date of prepayment. Each partial prepayment shall be in an aggregate principal amount of \$500,000 or an integral multiple thereof.

The Company must prepay any Note or Notes if as a result of the reduction of the Line of Credit pursuant to paragraph 4 such Note or Notes shall exceed the Line of Credit. Any prepayment must be accompanied by the payment of accrued interest on the amount of such prepayment to the date of such prepayment.

6. The Company shall furnish you the following:

(a) within 120 days after the end of each fiscal year a consolidated balance sheet as at the end of such year, and consolidated statements of income, stockholders' equity and changes in financial position for such year, for the Company and its consolidated subsidiaries, in reasonable detail and certified by Haskins & Sells, certified public accountants, or another firm of independent public accountants of recognized national standing selected by the Company, accompanied by a certificate of each of such firm and the Chairman of the Board, President, an Executive Vice President, Treasurer or an Assistant Treasurer, either stating that to the best of their or his, respectively, knowledge and belief no Event of Default (as hereinafter defined) or other event which, with notice or lapse of time or both would be an Event of Default, has occurred and is continuing, or specifying such Event of Default or such other event;

(b) within 60 days after the end of each of the first three fiscal quarters, a consolidated balance sheet as at the end of such quarter and a consolidated statement of income for such quarter and for the fiscal year to date, for the Company and its consolidated subsidiaries, in reasonable detail, unaudited, together with a certificate by the Chairman of the Board, President, an Executive Vice President, Treasurer or an Assistant Treasurer of the Company stating that (i) except as specified in such certificate, such financial statements fairly present the consolidated financial condition of the Company and its consolidated subsidiaries as of the end of such fiscal quarter and the consolidated results of their operation for such fiscal quarter, subject in each case to changes resulting from year-end audit adjustments, and (ii) to the best of his knowledge and belief no Event of Default or other event which, with notice or lapse of time or both would be an Event of Default, has occurred and is continuing or specifying such Event of Default or such other event;

(c) to the extent permitted by law, promptly after the Company or any of its subsidiaries files or sends the

same, a copy of reports, statements, prospectuses and other documents filed by the Company or such subsidiary with the Securities and Exchange Commission, or a national securities exchange pursuant to the Securities Act of 1933 or the Securities Exchange Act of 1934 or sent by the Company to its stockholders;

(d) immediately upon discovery by it, notice of any Event of Default or of any event which with notice or lapse of time or both would constitute an Event of Default;

7. The Company agrees that so long as the Line of Credit, or Loans thereunder, remain outstanding, it will

(a) maintain total current assets less total current liabilities (each as the same appears in the most recent financial statements which shall have been delivered to you) of at least \$150,000,000;

(b) not permit long-term debt, less current portion, to exceed 75% of total stockholders' equity, (each as the same appears in the most recent financial statements which shall have been delivered to you); and

(c) have no Loans outstanding under the Line of Credit for a period of thirty consecutive days in each twelve-month period commencing with the date hereof.

8. In case of the happening of any of the following events (herein called Events of Default):

(a) default shall be made in the payment of the principal of, or interest on, any Note, or in the payment of the Commitment Fee when and as the same shall become due and payable, whether at the due date thereof or otherwise, and such default shall not have been remedied within five days after notice thereof shall have been given to the Company;

(b) any obligation for borrowed money with an original principal amount in excess of \$5,000,000 (other than the Notes) of the Company or any subsidiary either shall become due before stated maturity by the acceleration of the maturity thereof by reason of default or shall become due by its terms and shall not be promptly paid or extended;

(c) default shall be made in the due observance or

performance of the covenants contained in paragraph 7 hereof, and such default is not cured within ten days after notice thereof shall have been given to the Company; or

(d) the Company shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of it or of any of its property, (ii) admit in writing its inability to pay its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) as to all or a substantial part of the assets, operations or management thereof, at any time, directly or indirectly, be subject to order or control of any court of competent jurisdiction in a reorganization or similar proceedings, (v) be adjudicated a bankrupt or insolvent or (vi) file a voluntary petition in bankruptcy or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law or if action shall be taken by it for the purpose of effecting any of the foregoing;

then, and every such event, and at any time thereafter during the continuance of such Event of Default, you may, by written notice to the Company, take any or all the following actions, at the same time or at different times: (x) terminate forthwith the Line of Credit; (y) declare the unpaid aggregate principal amount of the then outstanding Notes to be forthwith due and payable, whereupon the same, both as to principal and interest, shall become forthwith due and payable; or (z) proceed to protect and enforce your rights either by suit in equity or by action at law, or both. In case of an Event of Default by reason of default in the payment of the principal of any note, the Company will pay you such further amount as shall be sufficient to cover the costs and expenses of collection actually incurred, including reasonable attorneys' fees.

9. Should the principal of, or interest on, any Note or the Commitment Fee become due and payable on other than a business day, the maturity or due date thereof shall be extended to the next succeeding business day, and, in the case of the principal, interest shall be payable thereon at the rate per annum herein specified during such extension.

10. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of New York without giving effect to the choice of law principles

thereof. The ver.ue of any actions or proceedings brought in connection herewith shall be in the State, City and County of New York (or such judicial district of a Court of the United States as shall include the same).

Please indicate your agreement with the foregoing by signing in the indicated place below.

Very truly yours,

GAF CORPORATION

By \_\_\_\_\_ (Title)

Agreed:

IRVING TRUST COMPANY

By \_\_\_\_\_ (Title)

EXHIBIT A

Note

§

New York, N.Y.  
, 197

FOR VALUE RECEIVED, GAF CORPORATION, a Delaware corporation, DOES HEREBY PROMISE to pay to the order of (the "Bank"), at its office at , in lawful money of the United States of America, the principal amount of Dollars (\$) on , 197 , and to pay interest (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days as the case may be) on the last day of each calendar quarter while this Note is outstanding and at maturity from the date hereof on the unpaid principal amount hereof, in like money, at said office, at a rate per annum equal to 120% of the rate of the Bank in effect from time to time for prime commercial loans of 90-day maturities (such rate of the Bank being hereinafter called the Prime Rate). Any change in the interest rate borne by this Note resulting from a change in the Prime Rate shall take effect on the opening of business on the date of such change in the Prime Rate.

This Note is one of the Notes referred to in a letter agreement between GAF Corporation and the Bank dated , 1976 and is subject to prepayment and the maturity hereof may be accelerated, all as provided in such letter agreement.

GAF CORPORATION

By \_\_\_\_\_  
Title:

## GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES

## COMPUTATION OF EARNINGS PER COMMON SHARE FOR THE FIVE YEARS ENDED DECEMBER 31, 1978

Item No.		Year Ended December 31,				
		1978	1975	1974	1973	1972
PRIMARY EARNINGS PER COMMON SHARE:						
Based on Net Income:						
1	Earnings applicable to common stock (per summary of operations)	\$16,085,000	\$27,311,000	\$24,812,000	\$28,093,000	\$23,947,000
2	Weighted average number of shares of common stock outstanding during the year (Note 1)	13,303,000	13,237,000	13,518,000	13,631,000	13,887,000
3	Primary net income per common share (Item 1 ÷ Item 2) (Note 2)	\$ 1.21	\$ 2.06	\$ 1.84	\$ 2.06	\$ 1.75
FULLY DILUTED EARNINGS PER COMMON SHARE:						
Based on Net Income:						
Items included in computation, where effect would be dilutive:						
4	Item 1 above	\$16,085,000	\$27,311,000	\$24,812,000	\$28,093,000	\$23,947,000
5	Add preferred stock dividend requirement (per summary of operations)	3,635,000	3,635,000	3,705,000	3,726,000	3,759,000
Add interest expense, less income tax effect:						
6	8% convertible subordinated notes	214,000	213,000	263,000	888,000	1,287,000
7	5½% convertible subordinated notes	89,000	94,000	95,000	104,000	109,000
8	Total	\$20,003,000	\$31,253,000	\$28,875,000	\$32,809,000	\$29,112,000
9	Item 2 above	13,303,000	13,237,000	13,518,000	13,631,000	13,887,000
Add assumed conversion of weighted average number of shares of preferred stock and convertible subordinated notes outstanding during the year:						
10	\$1.20 convertible preferred stock (shares × 1.25)	3,787,000	3,787,000	3,887,000	3,881,000	3,880,000
11	8% convertible subordinated notes (\$6,200,000 in 1976 and 1978, \$10,725,000 in 1974, \$34,017,500 in 1973 and \$49,900,000 in 1972 ÷ \$27.50)	226,000	266,000	390,000	1,237,000	1,815,000
12	5½% convertible subordinated notes (\$3,080,000 in 1976, \$3,250,000 in 1978, \$3,450,000 in 1974, \$3,650,000 in 1973 and \$3,850,000 in 1972 ÷ \$28.72)	108,000	113,000	120,000	127,000	134,000
13	Add assumed exercise of the weighted average number of stock options outstanding using the treasury stock method	3,000	2,000	—	9,000	18,000
14	Total	17,409,000	17,437,000	17,885,000	18,065,000	19,534,000
15	Fully diluted earnings per common share based on net income (Item 8 ÷ Item 14)	\$ 1.14	\$ 1.79	\$ 1.62	\$ 1.74	\$ 1.49

## Notes:

i. The weighted average number of shares of common stock outstanding was computed by adding the number of shares outstanding at the beginning of the year and at each month-end and dividing such aggregate amount by thirteen for the years 1972 and 1973 and at the end of each 10-day period and dividing by 365 for 1974 to 1978.

ii. A computation including the addition of the number of shares to be issued (treasury stock method) upon the assumed exercise of options granted subsequent to May 31, 1980 for the purchase of shares of common stock results in no change in the amount of primary earnings per common share.

END